

NATION'S BUSINESS



MAY • 1935

Scuttling the Federal Budget

by Senator Byrd

Portrait of a Propagandist

by Herbert Corey

Washington Forecast • Business Map

265,000 CIRCULATION

PUBLISHED BY THE CHAMBER OF COMMERCE
OF THE UNITED STATES • WASHINGTON



ACKNOWLEDGMENT
SALES DEPARTMENT
ACCOUNTING
LOADING ORDER
ANY COMPANY, INC.
ANYWHERE U.S.A.
INVOICE
ANY COMPANY, INC.
ANYWHERE U.S.A.

ORDER NO. 17193
DATE 5/21/53
SHIP RUSH
FREIGHT
SOLD TO JONES BROS INC
711 JONES ST
JONESBORO IOWA
SHIP TO SAME

QUANTITY PRICE
400 800 *
400 400 *
600 600 *
1400 1400 *
2400 2400 *
1600 1600 *
2400 2400 *
400 400 *
600 600 *
400 400 *
200 200 *
300 300 *
200 200 *
150 150 *
150 150 *

2-1/2 FANCY SLICED PINEAPPLE
2-1/2 CHOICE R A CHERRIES
1 TALL
2-1/2 STANDARD
2-1/2 CHOICE Y C PEACHES
2-1/2 STANDARD
1 TALL CHOICE SLICED Y C PEACHES
1 STANDARD
2-1/2 CHOICE APRICOTS
2-1/2 STANDARD
2 TALL EAST STYLE ALL GREEN ASPG
PICNIC
2-1/2 STD TOMATOES IN PUKEE

CHERRIES TO BE LARGE FRUIT WITH FULL BLUSH.
PEACHES ALL RED-ROSSERS

ORDER SENT FROM
DISTANT SALES BRANCH
AS RECEIVED AT FACTORY

FIVE advantages from ONE feature of Bell System Teletypewriter Service

THOROUGHLY tested by many companies is the "form-writing" feature of Bell System Teletypewriter Service—*typing by wire*. A device synchronizes the position of continuous forms or pages on both sending and receiving machines. This makes possible the simultaneous typing of orders and invoices—between adjacent buildings or distant branches

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1. *Saves time.*
2. *Prevents errors.*
3. *Eliminates retyping, checking.*
4. *Speeds shipments.*
5. *Permits more efficient production control of widely separated factories and offices.*

In addition to "form-writing," Teletypewriter Service provides quick, written communication for all administrative matters—credit information, price changes, shipping reports, etc. Your local Bell Company will be glad to show you how it can best be adapted to your business. No obligation, of course. Just call the nearest office.



BUSINESS HAS LEARNED PLYMOUTH COSTS LESS TO RUN



*Actually uses 12 to 20%
less Gas and Oil*

(Above) Big but economical! Plymouth is the world's most economical full-size car today.

Cost per mile cut to a New Low for Road-men who Travel by Car!

TAKE A LOOK at the latest cost-sheets for your men who travel by car. Then look at these facts.

The new Business Plymouths are the most economical full-sized cars you can operate today. They are engineered for maximum operating economy.

Start with gas and oil consumption. A new cooling principle and new ignition cut gas and oil bills 12% to 20%.

The engine has valve seat inserts . . . heat resisting, durable; four big main crankshaft bearings (instead of three); four (instead of three) piston rings; and Floating Power engine mountings that absorb vibration. These and many other



features mean longer life and lower costs!

Even the two great Plymouth safety features—genuine hydraulic brakes and safety-steel body—contribute to economical operation.

The brakes are self-equalizing . . . centrifuse drums make brake linings wear longer. And an all-steel body stays tight, and quiet, and strong.

If you travel your men by car, look at "All Three" leading low-priced cars . . . and compare Plymouth with the others.

Only Plymouth gives you All Four:

1. GENUINE HYDRAULIC BRAKES
2. WEIGHT RE-DISTRIBUTION
3. SAFETY-STEEL BODY
4. 12% TO 20% LESS GAS AND OIL

(Left) That body's all-steel. This is not only protection for a driver; it is also an economy factor . . . saves repairs.



SAFEST! Plymouth has genuine hydraulic brakes . . . self-equalizing, quickest-stopping.

PLYMOUTH *Now only* \$510

AND UP, LIST AT FACTORY, DETROIT

MORE RUBBER ON THE ROAD!

**GIVES YOU MORE TRACTION
GREATER SAFETY—LONGER
WEAR—AT HIGHER SPEEDS**

FIRESTONE patented construction features enable us to give you a tire with higher shoulders—wider and deeper non-skid tread.

The cords in the body are Gum-Dipped, giving greater strength and longer flexing life.

The two extra layers of Gum-Dipped cords under the tread give a firmer union between tread and body which holds this heavy non-skid tread securely to the tire body.

Equip today with these safe and economical tires! You will get uninterrupted service, maintain faster schedules and get safety protection beyond anything you have heretofore experienced.

Call on the Firestone Service Store or Service Dealer *now* and start reducing your operating costs today.

★★★★★ Listen to the Voice of Firestone — featuring Richard Crooks, Gladys Swarthout, or Nelson Eddy — every Monday night over N. B. C. — W E A F Network ... A Five Star Program



BALLOON
\$24⁴⁰
6.50-20
Other Sizes Proportionately Low

Firestone
HIGH SPEED TYPE
Greatest tire ever built for all-around service.



BALLOON
\$18⁸⁵
6.00-20
Other Sizes Proportionately Low

Firestone
GROUND GRIP
Super traction tire for unimproved roads.

H. P.
\$20⁷⁰
30x5 HD
Other Sizes Proportionately Low

Firestone
OLDFIELD TYPE
The tire that taught thrift to millions.

H. P.
\$18⁶⁵
30x5 HD
Other Sizes Proportionately Low

Firestone
SENTINEL TYPE
Volume production tire for light trucks.

AUTO SUPPLIES FOR TRUCKS AND BUSES

FIRESTONE TRUCK TYPE BATTERIES



FIRESTONE HEAVY DUTY SPARK PLUGS



For Quick Starts, Longer Mileage

FIRESTONE BRAKE BLOCKS and HEAVY DUTY LINING



For Better Braking Control.

FIRESTONE FAN BELTS



FIRESTONE RADIATOR HOSE



Firestone



SCENE FROM WARNER BROS.' "SWEET MUSIC" STARRING RUDY VALLEE AND FEATURING ANN DVORAK

BACK OF THE SCENES DITTO PLAYS ITS PART

Warner Brothers First National Studio, Hollywood, California, reports:

FEW people realize the remarkable control required to insure the accurate scheduling of actors, musicians and technicians in the making of motion pictures. We employ probably the highest paid workers in the country, a large number of whom are required to make a single scene of a picture. Thus, delay of only one hour means hundreds and even thousands of dollars of additional cost.

"In this work of controlling accounting, sound, property, technical, electrical, miniature and time departments, Ditto duplicators play an invaluable part. Their ability to make copies of anything typewritten, handwritten or drawn direct from the original writing is saving us thousands of dollars annually.

"Whether it be copies of budgets, of 'Shooting' schedules, of daily costs, of payroll

reports, accounting statements or songs and scores for singers, musicians and technicians, Ditto gives us quick, accurate copies at minimum cost. Thus, we say without hesitation that, behind the scenes, Ditto plays a truly important part."

* * * *

And so it is in every line of business—large or small. Wherever copies are needed in the conduct of business, Ditto's unusual speed, accuracy and economy point the way to untold savings. There is probably a pleasant surprise awaiting you when you learn what Ditto can do for you. Write us for details.



DITTO, INCORPORATED,
2243 West Harrison Street, Chicago, Ill.

N. B.—5-35

Gentlemen: Please give me full facts about Ditto . . . what it is and what it does . . . also, how it is saving large sums annually for concerns in every line of business. No obligation, of course.

Name

Concern Address

City State

2243 W. HARRISON ST. **DITTO, INC.** CHICAGO, ILLINOIS
DUPLICATING AND BILLING EQUIPMENT



"COMPTOMETER" CONTROL GIVES TIMELY FIGURES FOR FLEXIBLE, PROFITABLE OPERATION

THE availability of *today's* operating figures in determining *tomorrow's* operation may mean the difference between profit and loss. Day-by-day figure facts on sales, costs, payrolls, inventories, and production must be secured and computed quickly. Central interpretation of the results must be made to provide a dependable control of the various departments.

The "Comptometer" Peg-Board method produces these figure facts *when* and *where* they can be used to

full advantage. Its features explain its popularity:

1. Makes use of *original* figures. Eliminates time and cost of recopying, posting. Reduces chance of error.
2. Extremely fast. Produces figure facts while most valuable. Allows for prompt action on rapidly changing conditions.
3. Flexible. Adaptable to most any kind of figure or cost routines.
4. Economical. Savings of 35% or more are not unusual.
5. Simplifies collecting and computing figure facts. Fewer operations required.



Control of all the diverse operations of a business is centered in "Comptometer" methods of collecting and computing vital figure facts.

A representative will be glad to discuss with you how the "Comptometer" and the "Comptometer" Peg-Board method may best be adapted to your business. Call or write the "Comptometer" office in your locality, or Felt & Tarrant Mfg. Co., 1712 N. Paulina St., Chicago, Ill.

COMPTOMETER

Reg. U. S. Pat. Off.

Contents for May . . .

Some of the Best People are now accepting relief. There is no stigma attached. People who used to be wage-earners, who once earned their own living, can now loaf if they want to and escape all blame.

p. 7

The Trouble with most forward looking and backward planning is in regarding "business" as a figurative generalization. In reality, "business" is only the American people in working clothes.

Merle Thorpep. 13

Government Obligations must all be paid from the same treasury and the sooner the Administration abandons the absurd proposition of having two budgets, the better it will be for the people.

Senator Byrd of Virginia..p. 15

A Third Party next year is inevitable, I think. The candidate will be some "respectable" man from the West. The party will subtract more from the Democrats than from the Republicans.

Willard M. Kiplinger.....p. 17

The Cotton Belt is at a cross-roads. It is imperative that some definite move be made shortly to formulate a national cotton policy.

Richard J. Mayer.....p. 20

The Rayburn-Wheeler Bill's supporters load every mail train with their literature. They talk over the radio. When opponents reply, they are charged with uttering propaganda.

Herbert Coreyp. 23

Human Frailty, in one form or another, has written its record large in dollar signs in the annals of news gathering in Wall Street where news is often so much dynamite.

Edward H. Collins.....p. 26

A New Protective Paint consists of copper, broken down into finely powdered, non-crystalline form, mixed with a special fluid carrier.

Paul H. Hayward.....p. 32

Wage-Earners, despite reports to the contrary, were given preference over investors in the depression years. Even companies which had deficits in 1934 showed pay roll increases.

Russell L. Greenman.....p. 36

Foreign Trade Agreements, made possible by a tariff law amendment, give the exporter, for the first time, a voice in tariff questions.

John P. Gregg.....p. 40

Rubber Checks, and the average American's desire to laugh, were the foundation of a business which put three unemployed men back on their feet.

p. 49

The RFC, the biggest bank in the world, is learning that banking isn't just lending money. It is figuring out ways of getting money it lent back again.

p. 80

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Volume 23



Number 5

CHAMBER OF COMMERCE OF THE UNITED STATES

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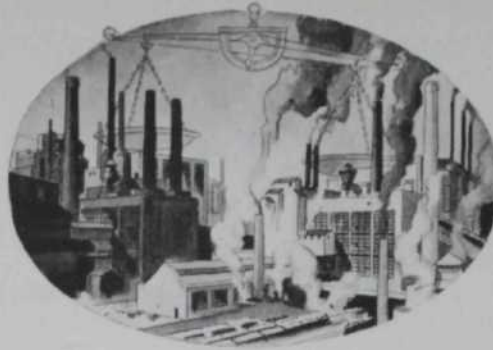
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The scales are swinging the other way

IF YOU will look at the indices of business for the past two years, you will find such changes as these:

Commodity prices have risen about 34%. The cost of living is up about 9%. There has been a 30% improvement in business volume. Stock prices have almost exactly doubled. Bond prices are better by some 37%. Net demand bank deposits are greater by 46%.

Here is evidence which says unmistakably that recovery is under way, and in this fact is a challenge to every business leader in America.

For the state of business as a whole is what each business individually helps to make it. Those who set themselves resolutely to discover the public's needs, and to meet those needs by betterment of products, services, and values today, will be the ones who

bring to themselves and to the nation the surest benefits tomorrow.

In times far less auspicious than the present, Goodyear put these convictions to work.

Straight through the past five years, we have carried on a program of product development and betterment greater than this company has ever undertaken before.

Many results of these efforts are yielding their benefits today in industrial service, and two are universally known to the public: the "G-3" All-Weather, now leading every other tire in sales, and the Airwheel*, of which Goodyear production is greater than that of all other makers of supersoft tires combined.



THE GOODYEAR
"G-3" ALL-WEATHER

W. H. Mitchell
PRESIDENT.

THE GOODYEAR TIRE & RUBBER COMPANY, INC.

*AIRWHEEL is Goodyear's trade-mark, registered in the U. S. A. and throughout the world, and is used to denote that Goodyear is the exclusive maker of AIRWHEEL Tires

THE GREATEST NAME  IN RUBBER
GOODYEAR

What Makes A Metal Precious?

HOW WOULD you describe gold, silver and platinum,—the precious metals,—apart from their comparative rarity and monetary value?

"Well," you'd say, "let me see. Each possesses lustrous natural beauty. Each is highly resistant to all ordinary forms of corrosion, and most chemical forms. Each is readily workable,—has the ability to acquire any finish or assume any shape,—and I guess that's all."

You're right, that is all. But consider this: ALLEGHENY METAL has all these properties, and more . . . a hard, abrasion-resisting surface, high resistance to heat, and tremendous, unyielding strength . . . qualities that none of the precious metals can match.

It is unlikely that you will ever spend an ALLEGHENY METAL quarter. Men will never barter their souls or spill blood for it; yet this time-tested stainless steel, with the single exception of intrinsic value, offers more desirable characteristics to the fine-metal worker than do the precious metals themselves. The craftsman asks only that his material be chemically inert, naturally beautiful, strong yet amenable to his artistry; it is the buyer who measures precious metals by price.

However, we moderns are more inclined to bestow favor where it is due, and to value beauty and utility above mere beauty and price. Hence, the list of ALLEGHENY METAL *objets d'art* in our shops and homes has grown impressively. Cocktail shakers, cups, vases, lamps, salvers, cigaret boxes, candelabra, picture frames, table service, watches, rings . . . one sees these and hundreds of other beautifully-wrought ALLEGHENY METAL objects everywhere.

.....

ALLEGHENY METAL—the time-tested stainless steel of universal application—is a product of ALLEGHENY STEEL COMPANY, Brackenridge, Pa.; who also manufacture electrical sheets, auto body sheets, metal furniture sheets, black sheets, castings, pipe, and boiler tubes; whose products are carried in stock by all Jos. T. Ryerson and Sons, Inc. Warehouses, and by Union Hardware & Metal Co., Los Angeles.

Allegheny Metal is licensed under Chemical Foundation patents 1,316,317 and 1,339,378.

ADVERTISEMENT

Through the Editor's Specs

Scrambling two problems

MUCH of the confusion and doubt concerning recovery and security measures is due to the failure to discriminate between "the unemployable" and "the unemployed." In every country, in every period, there is a group of hopelessly moronic and genuinely dependent men and women. They constitute a social problem. In times of business depression there are those able and willing to work whose services society cannot use. They constitute an economic problem.

By lumping the two classes in one category comes most of our disordered thinking and planning. The earnest welfare worker paints for us a man with ability, capacity, and will to work. The public responds. It fails to see that there is included the man who would not or could not work in those years when "Help Wanted" signs were everywhere in evidence.

One result of this mistake is the unconvincing totals of "the unemployed," another is the resentment the observer feels towards a system which treats a congenital bum with all the consideration of a worthy workman whose misfortune is that he can find no work.

If the overhauling of society meant only humane care for society's unfits and misfits, America could—and would—do the job at one stride. Many faults have been ascribed to us by foreign and friendly critics, but the lack of humane objectives has never been one of them. The translation of that ideal today is hopelessly complicated by combining two separate problems, one economic, the other social. Any standard adopted for the chronic loafer is too low for the honest worker; any standard adopted for the honest worker is too high for the chronic loafer.

Thunder on the north

FROM Canada comes word that Toronto has come close to having a taxpayers' strike. For the first time on record, the citizens have vigor-

ously protested a further rise in their city's tax rate. Public meetings, delegations to council, newspaper campaigns have served notice on public officials that the property owners' patience is exhausted.

One of Canada's alert editors believes that Canadians everywhere must feel cheered and stimulated by the action of Toronto taxpayers.

What is taking place up there is symptomatic of the crushing costs of Government throughout the world. No country has a monopoly of complaint. Whatever their nationality, taxpayers are brothers under the skin.

Backward or forward?

AN ASSERTION by a high government official that "we are a backward country, 25 years behind Germany in health insurance," gave us a bad morning. But, by a coincidence, the noon mail brought a committee report of the Washington Board of Trade which dealt with, among other things, this same Germany's experience.

"Contrary to general belief," the conclusion ran, "health insurance has not lowered the mortality rate in countries which have adopted it; it has not lowered the sickness rate" . . . that paradoxically the days of sickness *per capita* have more than doubled in every country with compulsory health insurance (in Germany and England rising from seven to 15 per year); that health insurance "has not decreased the total costs of medical care" but in reality has increased it; owing to the large administrative staff (32,400 in Germany) and the high degree of political control inevitable in compulsory health insurance.

Deterioration of the quality of medical service and retardation of professional progress are two other handicaps inherent in public insurance plans. The committee suggests that the patient's free choice of a physician and the personal relationship are nullified through the impersonality of government administra-

HERE'S WHAT ONLIWON TOWELS ARE MADE FOR



THAT'S WHY THEY DO IT SO WELL

THERE are no tricks about Onliwon Towels. No black magic in their consistent record for real economy. They simply specialize in a single job—drying hands and faces. Some towels cost more. Some are “cheaper.” Some are larger. Yet these original double-fold towels continue to deliver their quota of dollars saved year after year.

They are soft and pleasant to use, of course. Just large enough so that without effort every square inch of surface gets used. Plenty strong to withstand the single using expected of a towel and absorbent enough to insure thorough drying by the double thickness of material. This combination of strength, size, and absorbency enables Onliwon Towels to demonstrate genuine economy in daily use in thousands of office and factory washrooms. Not only on account of reasonable cost but because fewer of them are required.

The compact Onliwon Cabinet is easy to install and keep filled. It dispenses a single towel at a time, double-folded, ready for use. It protects the rest from contaminating dust and discourages wastefulness.

If Onliwon Towels are not already on the job in your washrooms, it is probable that they can effect definite economies in this portion of your overhead. It will be well worth your while to talk things over with the A.P.W. representative in your vicinity. If he is not listed in your phone book, please write for samples to: A.P.W. Paper Co., Albany, N. Y.

A.P.W.

THERE'S REAL SAVING IN ONLIWON TOWELS AND TISSUE

tion. There is no gainsaying the importance of the issues raised by the various proposals to assure the physical well-being of the citizen. Europe has provided the realistic precedent, and the development of her procedure and experience is available alike to advocate and opponent of similar provisions in this country.

The committee is convinced that “the change of social problems should be undertaken step by step, since every change effected inevitably changes many other aspects of the problem, and often in a quite unpredictable way.”

Jobs looking for workers

NOT long ago the following advertisement was printed in the *Rural New Yorker*:

Clean American boy, twenty, German descent, strong; drive car, horses; willing to work for a good home and \$10 per month.

More than 300 replies were received. They came from 14 states. All of them offered board and room and \$10 per month. Many of them promised advancement.

The boy got a job, as did also one of his friends. The advertiser, a resident of New Jersey, gave the letters defining other job opportunities to relief agencies.

None of the agencies he approached, he says, were able to convince unemployed persons that earning a living was better than living off the public funds.

“The whole truth,” as this citizen sees it,

Is that there is now no stigma to accepting relief. Some of the best people are doing it—people who used to be wage earners, people who once earned their own living; who owned their own homes, who had responsible positions in the community. And now, because the Government is taxing you and me out of existence, those that want to loaf can do so, and escape all blame and responsibility.

Easy enough for the cynic to say that people who are living comfortably, having their rents paid, and getting food and amusement at public expense cannot be expected to take jobs which may pan out badly. What is to immunize the productive relievers from the contagious passivity of the relievees' state of mind is a problem which is asserting itself with increasing pressure. Being a brother's keeper will work only as long as the keeper can keep himself.

Paternalism—bottled in bond

ALONG with announcement of the Reconstruction Finance Corporation's readiness to go into the mortgage business on a \$10,000,000 scale

—witness the new corporation organized under the laws of Maryland—Chairman Jones is reported to have said,

It's just a vehicle to enable us to do something, if there's anything we can do. We're trying to help the people in distress—either the mortgage holder or the owner of the property. . . . In other words we've got a bar and the liquor and are in a position to sell some drinks.

Lifting a burdensome mortgage from the weary shoulders of a tottering property holder could be viewed as a helpful service. How the citizen who imbibes too freely the heady drafts of paternalism will get home is just guesswork. Surely the country has enough headaches without adding hangovers acquired at a public mortgage dispensary.

Standpatters in the making

JUST a nation of line-formers is one way of looking at the American people. Let a line once begin and it will generate its own length. That's the observation of a man who should know his lines, L. Rohe Walter, eastern representative of the California Pacific International Exposition. He rests his case on evidence developed at the Chicago fair.

One of the big can companies gave away cans as souvenirs. A visitor had merely to press a button to start the machinery which would make a gift can for him. One of the longest queues at the fair formed at this exhibit, but inquiry revealed that about 30 per cent of those persons in line did not know what they were waiting to receive. On some days people stood in line for an hour and a half to get a tin can worth only a few cents. Yet when their turns came to push the button to make their own cans, one out of every nine had to be prompted, and one out of every 40 was so flustered that the button had to be pressed by an attendant.

From this experience it is logical for the advertising man to conclude that "the simpler and more obvious the sales story, the better." Or it may be, of course, that the idea of "service" has so possessed Americans that even the convenience of a push button civilization is an unthinkable burden.

Farm relief by salesmanship

ONE of the enduring texts of this magazine takes its definition from an editorial belief that selling is the primary motive force in the national economy. How a western grocery corporation, Safeway Stores, moved a burdensome crop surplus in its trade territory is as much an object lesson in farm relief as it is in salesmanship. Through its 3,000 stores



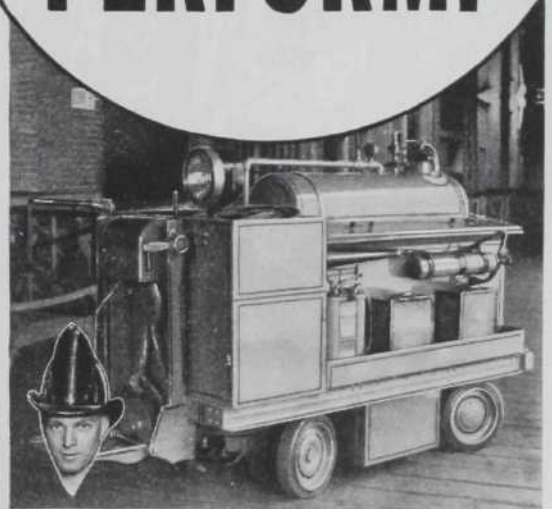
PROGRESS! 13 years before Napoleon met defeat at Waterloo, chemists discovered that acid, in attacking metal, set up an electrical current. More than 100 years later, Thomas A. Edison invented a new, improved and alkaline storage battery—and this alkaline solution preserves its steel plates.



LIGHTHOUSES require storage batteries that offer dependability to the nth degree. Is it any wonder that Edison Nickel-Iron-Alkaline Batteries are used. No "acid" in them to attack the plates.

ONLY NICKEL-IRON-ALKALINE BATTERY made in the United States is that which bears the signature of the inventor. The Edison Battery is a product of Thomas A. Edison, Incorporated, West Orange, N. J.

ALKALINE BATTERIES PERFORM!



FIRE-FIGHTER in Ohio industrial plant powered by an Edison Alkaline Battery. No "acid" condition in the Edison Battery... lasts longer, costs less... powers more industrial trucks than all other kinds combined.



Control

brings the Perfect Timing
of the Crack Squad to

AIR CONDITIONING

THE six factors* vital to year-round Air Conditioning demand more exact timing and coordination than the crack squad. They reach effectiveness, with resultant comfort in home, office, or factory, only under the guiding hand of Automatic Control.

Minneapolis-Honeywell, pioneer and leader for fifty years in the development of Automatic Controls, manufactures the Modutrol System, which will automatically control any Air Conditioning installation, large or small. The great versatility of this system makes it readily applicable to any standard or specialized installation. Under Modutrol guidance, that installation will operate at its maximum efficiency.

Minneapolis-Honeywell has available a brief, informative book on the vital subject of Air Conditioning and its Automatic Control. It is a clear explanation of a subject, the uses and terms of which are often misunderstood.

Your request on your letterhead, addressed to Minneapolis-Honeywell Regulator Co., 2923 Fourth Ave. South, Minneapolis, Minn., will bring you your copy.

MINNEAPOLIS HONEYWELL

Control Systems

BROWN INSTRUMENTS FOR
INDICATING AND RECORDING



Like the crack squad, the six factors of Air Conditioning are coordinated only under control . . . Automatic Control.

The MODUTROL SYSTEM Automatic Control of

★ HEATING · HUMIDIFYING · CIRCULATING
CLEANING · COOLING · DEHUMIDIFYING

and its 17,000 salesmen, this corporation concentrated its selling resources on beef, lamb, apples, prunes and walnuts, the chief crop problems of 1934, apart from grain.

Each product was featured for a week at a time when direct action would be most helpful. Enthusiasm generated by advertising and co-operation with related groups pushed sales of the five products to an aggregate of 7,000,000 pounds. Totals for beef and apples amounted to more than 5,000,000 pounds. Both of these campaigns sharply shrunk surpluses at terminal markets in the Safeway territory. No attempt was made to offer bargains; instead, sales executives were urged to develop volume through alert promotion rather than through price cutting.

Directing the energy of 17,000 men to a common purpose is a feat in organization with its own accent of importance. That the power of selling could be applied on a national scale is a conclusion as logical as it is practicable.

Competition from the postman

WHETHER government activities are "services" or "intrusions" turns on the point of view. That many of them are novelties by any consideration seems incontestable. For example, the venture of the Post Office Department into the advertising circular trade. Delivery in selected areas of samples and circulars may be bought by advertisers at a minimum cost of one cent each. Letter carriers covering their regular routes make delivery.

Postage is figured at third class bulk rates, 12 cents a pound for packages, and eight cents a pound for pamphlets up to 24 pages.

The Government "can offer a better service than other door-to-door distributive agencies," in the opinion of the assistant superintendent of postal deliveries in Chicago, though he admits that "of course, this is just in the experimental state and costs have not been worked out. . . . However, the mail carrier has to cover his routes anyhow, so this is just extra revenue for the department. The public has asked for just such a service, and in the future we hope to improve it."

An idea of what the established trade thinks of the innovation is contributed by the head of a house-to-house advertising firm. "Our prices are much lower—but there is danger that the Post Office Department will reduce its prices even more. I don't see how they can make money on such a proposition. Our experience shows that a man must deliver 1,000

pieces a day before we can make money."

As for the pressure of public "demand" for the new service, there is, of course, the ever present possibility that the officials may mistake their own vocal advocacy for the pleading of *vox populi*.

Sweet land of questionnaires

INVESTIGATIONITIS, that old Congressional complaint, by Representative Warren's report, is now more virulent than ever. The last Congress spent \$500,000 turning up plain and fancy information, "more money than was similarly spent by any Congress in the past 12 years." Nothing much came of all that high-priced probing, this Representative feels.

What the Congress appropriates for its official questioning can be readily totaled, of course. But nobody, it seems, ever gets around to figuring the charges on business in the time lost by witnesses before congressional committees, the disruption caused by requirements for books and papers, the extra pressure on accounting staffs through preparation of special reports and compliance with variable official forms.

The citizen who annually wrestles with the mazes of his income tax blank gets a taste of the exactions of government curiosity. The very thought of experiencing that mental anguish day after day might be enough to provoke a taxpayers' strike. How trade and industry manage day in and day out to document all the items earmarked for scrutiny by the Government's investigative commissions is itself a proper matter for public interest.

Possibly the public knows that business has to take time off from its regular job of doing business to respond to official questioning. But it does not know—and business has not usually known—the amount of time so taken.

For their own satisfaction, time studies are being made by a Chicago bank, a mid-western railroad system, a southern association of lumber men, and a national communications company.

They are finding out just how many hours and days go into the making of reports to government agencies. They have asked themselves how much the complicated paper work on the earmarked items is costing in productive time.

Whatever the eloquence of the cost revealed, it is too much to expect that business could ever contrive a questionnaire to end questionnaires. If it did, it could be very sure that the Government would devise another and demand an explanation.



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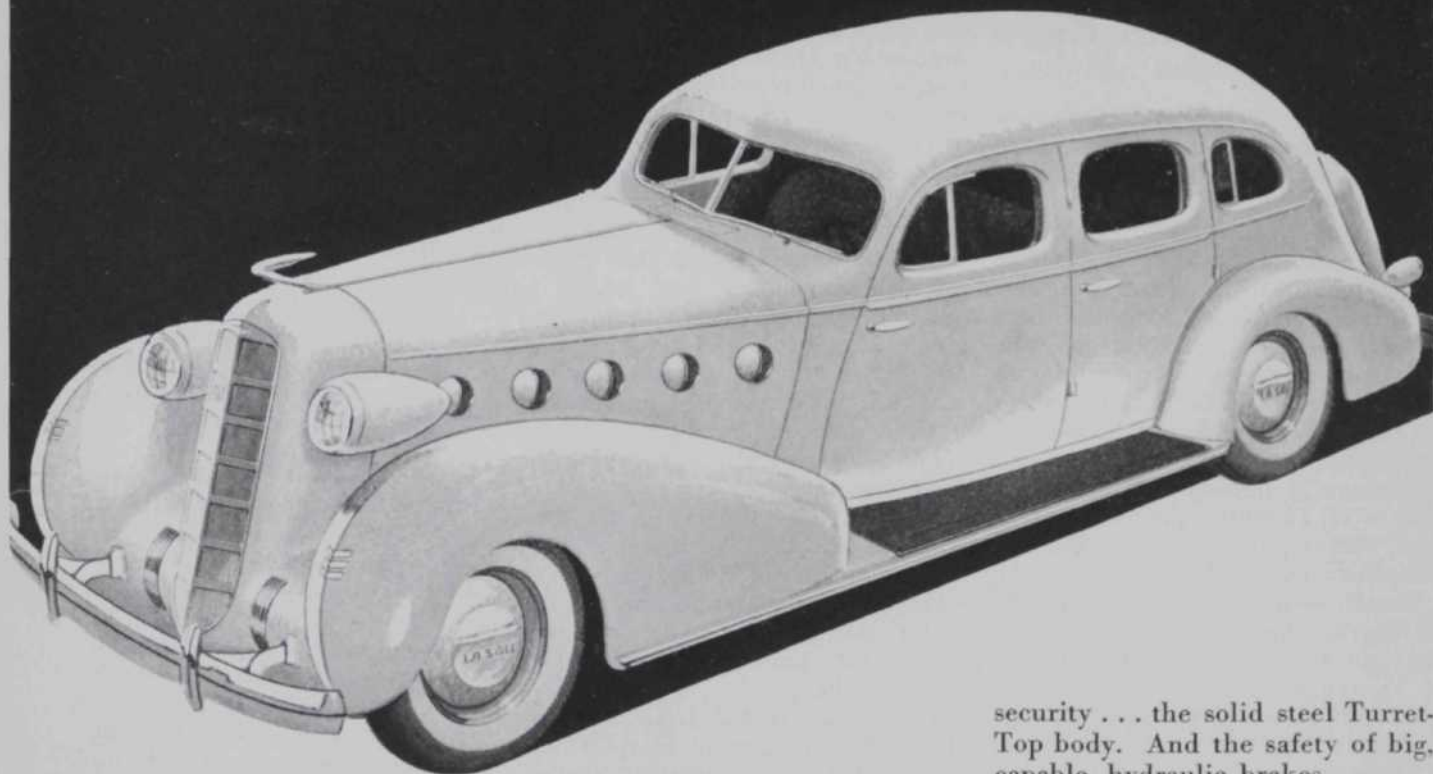
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NATION'S BUSINESS

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A MAGAZINE
FOR
BUSINESS MEN



Getting Down to Business

IN THE lively brood of complicated questions raised by the depression none is more pertinent to the welfare of the nation than the objectivity of the recovery measures.

Look at the problem from any viewpoint, the fundamental necessity for generation of revival always comes around to "business" and the "business man."

But what is "business"? Is it a mere economic abstraction, a soulless entity with life and being only in textbooks, an image no more substantial than the elusive phantoms that fret a visionary's dream of Utopia?

"Business" is on everybody's tongue. "How's business?" On ships, on trains, in the air, under the ground, in homes, in clubs, in theaters, on the street, wherever men meet and exchange views, there is talk of "business." Is business better? Is business bad?

If universal discussion be a reasonable rating of interest, it seems fair to conclude that the institution known as "business" is a matter of general concern to the American people.

A broad approach to the meaning of business may be made from the idea that it is "the scientific conduct of the affairs of life." In a larger and very real sense it signifies the creation of wealth and the distribution of products and services to the people.

However much its activities may be refined with detail and attenuated with distance, however many the hands that touch them, the basic fact of creative usefulness is not altered. "All original wealth," wrote Adam Smith in 1776, "comes from the soil." Test that judgment against a nation of 126,000,000 people, and the riddle of getting the "wealth" from its point of origin to the point of consumption provides its own accent of value on processing, transporting, financing, warehousing, selling, and all the other expert contributions of the business community.

For these operations millions of heads and hands are required. When "business" thrives, the people are gainfully employed, the country is prosperous, the individual share of the national

income increases, and living standards are high.

To the critic and the cynic the "materialism of business" is its decisive fault. Against that perverse logic is the expanding verity that business is the "good provider" for the nation. What the Government spends must be taken from business, from those who succeed as business succeeds.

Organized satisfaction of the wants of the individual is essential to the economic unity of an organized society. Business is as various as the individuals who give it life and expression. It is the one-chair barbershop, the neighborhood drug store, the small town "emporium," the village cobbler, the corner delicatessen, the hole-in-the-wall fruitstand. It is scaled to Main Street, to Fifth Avenue. It is General Motors, United States Steel, Standard Oil. It is Smith's Meat Market, Jones' Theater, Brown's Variety Store. It is little, it is big. It is guided by one man, by boards of directors. Its units employ one man, thousands of men. Its capital ranges from a few hundred dollars to millions.

Whatever its resources in man power and money, there is no field for man's endeavor broader than business. Well and truly it has been said that initiative and courage are the stock-in-trade of trade. The human quality of business is at once its strength and its weakness. It is as sensitive as it is serviceable. Wars and droughts, legislation and public policy at home and abroad, the state of opinion—all these things touch business closely, and make it "difficult, human, and worth while."

Were numbers to tell the tale, it would be possible to believe that every American regretted that he had only one plan to give to his country. The trouble with most of the forward looking and backward blaming is in regarding "business" as a figurative generalization. The saving reality, as every one should know, is that "business" is only the American people in their working clothes.

Merce Thorne



THE SURGE OF SPRING

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Scuttling the Federal Budget

By HARRY FLOOD BYRD

U. S. Senator from Virginia

THE United States has lived under a budget system only 14 years and it was only after years of education and struggle that the old slipshod method of making appropriations was discarded.

Now, under the present methods of blanket appropriations and the diversion of these appropriations for regular and ordinary expenses of the Government, the budget system has been completely destroyed.

I can see some justification for giving the President of the United States a blanket appropriation to be used solely for emergency purposes in time of a great crisis; I can see no justification for making an emergency appropriation and then taking funds from that appropriation for non-emergency purposes.

To do that is to violate all principles of sound budgetary procedure. Yet that is what has been done and is being done with the emergency appropriations. Not long ago the Senate asked the Secretary of the Treasury for information with respect to the expenditures made under the \$3,300,000,000 Public Works Appropriation which took effect June 16, 1933.

The answer is interesting. One of the things the Senate wanted to know was the unexpended balance of the \$3,300,000,000. It amounted to \$1,116,000,000. Moreover, there was another \$400,000,000 of other unexpended appropriations devoted to public works so that the total amount available for this purpose in the Treasury was about a billion and a half. Nor was that large sum due chiefly—as was popularly supposed—to delay on non-federal projects—those for which the Federal Government made grants to states, municipalities and other subdivisions. Of the \$1,116,000,000, more than \$650,000,000 is unspent on federal projects.

But the more serious fact concerning the use of this emergency fund is the extent to which it has been diverted from its intended uses. I do not say that these expenditures are fraudulent; I do not say that they are illegal. I do say that they



Senators Byrd (right) and Costigan deep in Finance Committee work

Must Business Renew Its Fight?

FROM its inception in 1912 until the budget act was passed in 1921, the Chamber of Commerce of the United States, speaking for the business men of the country, fought steadily and persistently to put the Federal Government on a businesslike basis.

There never was a let-up in the fight. Then in 1922, when the budget bill was finally on the statute books, the Chamber said:

The enactment of legislation for a national budget causes great gratification. Under it there have already been larger accomplishments than the period which has elapsed and the size of the task seemed to make possible.

Now the victory is threatened. Senator Byrd, who fought for a sound budget system in Virginia when he was its Governor, and who was once a director of the Chamber of Commerce of the United States, here tells of the wreckage of the budget.

Business may have to start again the fight which it thought it had won in 1921.

are entirely destructive to our federal budget system.

As Governor of Virginia, I became greatly impressed with the necessity of a budget system. Under this system a budget commission or director prepares estimates of expenditures. These recommendations are submitted for approval to a committee of the legislative body.

Appropriations have been diverted

THEORETICALLY the Federal Government still uses this system to control its expenditures. But of what avail is that control when the executive power adds to these expenditures from an emergency appropriation as has been done with a considerable part of the \$3,300,000,000 appropriated 18 months ago? Of that money, intended for emergency purposes, \$485,000,000 was diverted to the administrative expenses of various branches of the Government as stated in the report to the Senate by the Secretary of the Treasury.

The list of such expenditures is a long one but some of the important items are shown in the table below.

Some of these diversions merit especial consideration. Take the Federal Alcohol Control Board. That body has not yet been approved by the Congress, yet half a million dollars goes for its support.

Take the Electric Home and Farm Authority, which has received a million and which is, I understand, to receive much larger amounts. That "Authority" is a device for selling electrical appliances in the Tennessee Valley. The Congress of the United States has never had an opportunity to decide upon the policy of the Federal Government going into the business of selling goods at retail, yet by reason of this diversion of money from an emergency appropriation, it has surrendered its power to make such a decision.

Another questionable use of these emergency funds is the surrender of \$830,000 for the enforcement of the oil code. At the time when the National Industrial Recovery Act was passed, the expectation was that the costs of such codes would be borne by assessment upon the members of the industry.

It is little short of absurd to talk about having two budgets, one for the alleged ordinary expenses of Government and one for the emergency expenses of Government, when we have evidence from the Secretary of the Treasury that large sums have been taken from the emergency appropriations to be used for the regular and ordinary expenses of our Government.

There is only one Treasury of the United States from which the bills and obligations of the Government can be paid, and the sooner the Administration abandons the absurd proposition of having two budgets, and comes frankly before the people and says,

"We have these deficits in the Treasury, which must be paid in time by taxation," the better it will be for the people of this country.

Since 1806 this has been the law:

Except as otherwise provided by law, sums appropriated for the various branches of expenditure in the public service shall be applied solely to the objects to which they are respectively made and for no others.

Yet, in defiance of that law, we see funds appropriated for relief turned to every conceivable use. I am confident that in many cases the sober sense of Congress would have been against such use if it had been given opportunity to pass judgment on these projects separately. I doubt if Congress would have approved taking a million dollars in stock in a company planned to finance the sale of electric appliances in competition with the business men of the country.

Not only is the handling of this emergency fund a blow at our budget system but there is grave doubt whether it is accomplishing anything approaching its full purpose.

Let us analyze the reports of the Labor Department, as I think we should very carefully, to see what the spending of public works money has accomplished with respect to unemployment. The report for December, which is the latest available, shows that only 254,000 people were put to work on federal projects in that month. Of this, only 16,000 were employed on building construction; 132,000, or one-half, were employed on road construction, and the Public Works Administration does not deserve entire credit for that, because heretofore the road appropriations have been made as regular

appropriations for the Government, and have been increased, I think, four times under the Public Works Act from the normal appropriations.

The report shows that only 43,000 were at work on rivers and harbors and flood control; 1,600 on forestry work, and 18,000 on reclamation.

When we come to non-federal projects we find that only 109,000 were working in December, including 40,000 in building construction and 16,000 on streets and roads.

We are asked to appropriate \$4,880,000,000 to relieve and put to work three and a half million people, when our experience shows that, by practically the same plan as that under which this huge sum is to be spent, only 360,000 were given work by reason of the Public Works program last December.

It is asserted, of course, that, for every man at work on a public construction job, one additional man is employed in industry. That is not true with respect to road work; it is not true with respect to rivers and harbors and

(Continued on page 85)

Where "Relief" Money Went

Federal Alcohol Control Board	\$500,000
Federal Coordinator of Transportation	140,000
Federal Power Commission	700,000
General Accounting Office	506,000
Administration of NRA	13,428,000
Stock in the Commodity Credit Corporation	3,000,000
Electric Home and Farm Authority	1,000,000
Executive Council	43,000
Stock in Export-Import Banks	1,250,000
Federal Housing Administration (Administrative Expenses)	1,000,000
National Emergency Council	1,416,491
National Railroad Adjustment Board	200,000
National Resources Board	135,000
Office of the Adviser on Foreign Trade	350,000
Administrative Expenses for enforcement of the Oil Code	830,000
Immigration and Naturalization Service	88,000
United States Employment Service	1,300,000
Bureau of Labor Statistics	10,000
Office of the Secretary of Labor	16,000
Conciliation Board	110,000
National Labor Board	222,000
National Labor Relations Board	1,027,000
National Steel Labor Board	58,500
National Longshoremen's Labor Board	25,000
Office of the Secretary of the Treasury (Administrative Expenses)	1,141,000
Office of the Treasurer of the United States (Relief of Contractors)	100,000
Public Health Service	43,698
Mississippi Valley Committee	45,000
Review Board	50,000

What's Ahead in Washington

W. M. Kiplinger Again is the Observing Reporter

Dear Mac: Yes, I know you are fed up on Washington, tired of it, wish you didn't have to hear anything about it.

I'm just as tired of it as you are. But we've both got our jobs to do, and we mustn't shirk them, and part of your job is to keep a cool, open eye on Washington, and my job is to help you do it. So we might as well sigh a couple of times and get busy.

Emotions

I'D LIKE to utter a few platitudes. They will not tell you anything you don't already know, but they may

help to crystallize your thinking.

One is this: Most people are more emotional than rational about politics and government. Now you, I think, are fairly rational (sometimes), but you slip into the error of thinking that others are equally rational, and there's where you make a mistake in judging political trends.

Another is this: The people who run the government are just about as emotional as the general public. Being politicians more than statesmen, they've got to be. That's why they do some of the things which they do, things which seem to you in your rational moods to be inexplicable.

For the present, I don't say it's good, and I don't say it's bad. I'm just calling your attention to the fact that emotionalism and sentimentalism constitute one of the realities with which you must always reckon in judging trends.

That's why you can't figure out what's ahead in Washington merely by looking at Washington. You've got to consider mass public opinion, with all its currents, cross currents, eddies, whirlpools and backwaters. That's why you and I had better swap a few observations on current public opinion.

Public Opinion

NOW, I don't know a whole lot about public opinion, but I study it all the time as part of my job, and I have a few facilities which you don't have for getting a flow

of reports from all kinds of people in all lines of work in all parts of the country. And so I shall try to tell you what it seems to me the present state of public opinion is. Let's divide it up into several phases, or bundles.

New Deal. There's absolutely no doubt that the New Deal is sliding fast in popular esteem. There's a higher degree of certainty of it now than when I wrote you a month ago. The slide has been most marked within the past 30 days.

Business elements. They are sourer than ever before on the New Deal. This isn't anything new. It's significant merely that the disaffection which started roughly a year ago, and which has run consistently, except for a sort of sham love period last fall, is still running and is intensifying. There are varying degrees of shift. Business men who were enthusiastic New Dealers a year ago are now lukewarm. Men who were on the fence a year ago are now on the hostile side. Men who were

hostile a year ago are now bitter. It is a genuine phenomenon. It cannot be overlooked. It cannot be denied, except by those who wish it weren't true. The reason it must be recognized as a fact is that it bears on business revival and on next year's elections.

The masses. By "masses" I mean the millions of ordinary folks who are average or below average in the scale of living. As nearly as I can figure out, a majority of the masses are still for Roosevelt. They may grumble, but they prefer him to anyone else. They still have hopes that he will produce. They trust his motives, but they are beginning to distrust his methods. They talk much about how he "overpromised." Somehow, they are beginning to hold him personally responsible for the continuation of unsatisfactory conditions. There's a great shift among the masses, and, when they turn, they are more unreasonable than the better-informed elements. A considerable proportion of the masses is headed toward split-off from the New Deal.

The "liberals." Extreme liberals are rapidly "getting off the President." They have nowhere else to go as yet, but they are looking for some new political haven.

The intellectuals. Same comment about them as about the "liberals." For example, on most college campuses, where a year ago New Deal enthusiasm was running high, now are heard mainly deprecatory comments.

Organized labor. Union labor, I believe, is still pretty much for the New Deal. There are disappointments and grumblings that it hasn't done more for labor, but, after all, the labor movement is essentially conservative in its political philosophy, and so is Roosevelt. I think union labor will continue to support New Deal.

Agrarians. Organized agriculture has obtained much from the New Deal and majority forces probably will continue to support it. Strong and vocal minorities, especially in the Northwest, are bound to turn hostile because they want more than they have gotten on mortgage relief and inflation.

The Reasons

WHY all this change in attitude toward the New Deal? The best way of being objective about the thing

is to quote what people are saying these days. The following comments are perfectly standard, are circulating in all parts of the country. They may be right or wrong, fair or unfair, but they are accurate reflections of current talk.

"How are we going to pay for all this?" (Mainly an upper class comment, but beginning to circulate among the lower classes.)

"When will it be possible to stop the spending?"

"The Hoover depression lasted two years. The Roosevelt depression seems to be lasting four years." (This emanates from the hundreds of thousands of people who think that Presidents personally can do or undo things at will.)

"Unemployment is just as high as it ever was."

"Relief rolls are higher than a year ago."

"NRA retarded recovery." (The same thing is now being said about AAA, but in much narrower circles.)

"Does the President know where he's going?" (This is

the most common recent question to get wide circulation.)

"He probably means well, but . . ." (And here follow the pet peeves, many varieties of them.)

"Relief has encouraged loafing." (This is now being said a good deal among average and sub-average people. Thus, it is more significant than the same line of talk which has been heard a long time from the upper classes.)

That's about all of the standard current sayings. There are others, of a more analytical nature, but they reflect the higher levels of sophisticates, and for the present we are not talking about them. If you want to check, ask any hundred men who are not well dressed, and summarize the results for yourself.

Where Are We Heading?

BY standards of public opinion, rather than by standards of the minutia of Washington policies, where are we heading? Right, left, fascist, socialistic, capitalistic, communistic, conservative, radical? I don't know. At least I don't know definitely enough to say briefly.

These things *seem* to be true:

Americans *en masse* are pretty conservative. They don't really much want to change the system. There's a lot of affected interest in communism, but the roots don't run deep, and the average wealthy man is excessively scared by periodic disclosures of communistic organization.

Fascist? Well, most people have only a vague idea of what fascism is. Many big business men are inclined to think well of it, and secretly hope for it. It's a tendency worth watching, but it will not arise except in case of future crisis.

The President would like to move *right*, but he may be compelled by politics to move somewhat *left*. Most professional observers think he will move *left*. I doubt this. I am inclined to think that he will make an effort, next summer and fall, to get in solid with the business interests, and this will be interpreted as moving *right*. Essentially he will stay middle-of-the-road.

Many of the current *ism* movements will fade out as soon as there is business revival. That's why business revival is politically important. That's why I think the President will make some effort to cultivate business as soon as this Congress is off his hands. Whether he will do enough to produce substantial business revival by middle 1936 is more than I know. Seems as if expectations should be moderate.

Third Party

I THINK a third party next year is inevitable—the wealth-sharers, the give-us-mores, the spenders, the easy-money advocates, as represented by the followers of Huey Long, Father Coughlin, Dr. Townsend, Upton Sinclair, Milo Reno and other radical northwestern agrarians. The candidate will be some "respectable" man from the West. Probably not LaFollette, for he wouldn't quite "mix."

Yes, the third party will subtract more from the Democrats than from the Republicans.

The country probably is ripe for a conservative reaction. People say, "Oh, for a Coolidge!"—people who wouldn't have said it a year ago. But the Republican Party, in its present state of disorganization, offers not much hope. The middle western uprising of young Republicans against the "eastern influences" is interesting and significant. It may amount to something. It may re-create a strong Republican party.

So this discussion must be left in the air, without conclusion. That's the only place to leave it.

One point fairly clear is that Roosevelt's reelection next year may no longer be taken for granted.

Heretofore we've been talking about forces outside Washington, bearing down upon Washington, making Washington do this-or-that. Now let's shift our eyes to Washington itself and see what's going on here.

The President

IS his health good? Yes, apparently, since his return from the fishing trip. Are his spirits good? Yes, better than those of most others hereabouts. Does he recognize that the New Deal is sliding? Yes, but he isn't as much worried about it as many others within his administration. He has much confidence in his ability to turn a trick and pull out.

Does he get the full facts about things? I think he does not. Reason for thinking so: No President does or can. There's an awe about the Presidency which prevents men from being 100 per cent frank with the President. There's an unavoidable tendency to toady and kow-tow to the President—*any* President. Furthermore, there has developed recently among Roosevelt advisers a slight reluctance to tell him things which are contrary to his views. I know, confidentially, a dozen recent examples and there doubtless are many of which I do not know. The fault must be equally divided between the President and his advisers.

Are there any real signs that he will try hard to cultivate business sentiment after Congress adjourns? No—no big signs. The idea that he *will* do so is based mainly on speculation. (One of the ways of figuring what a public man will do is to figure what he *must* do, and in most cases it develops that he does it.)

Spirit of Things Here

THERE'S an air of uneasiness within officialdom. It comes from the prolongation of the depression, from the failure of the patient to rally from the treatment. It comes from the break-down of many of the schemes which featured the promotional era of the first two years of the New Deal.

The complications and perplexities of effectuating a managed economy are greater than was anticipated. The conflicts and collisions of policy are now showing up. There's a bewilderment. The old spirit of effusive self-confidence is dying down. It is acknowledged that too much has been tried. The spirit is defensive. The common plea is for patience and toleration—until business picks up.

There's no spirit of desire to turn right-about-face. There's merely a retreat from untenable positions. In some cases retreat is orderly, and in some cases it isn't. The falling-back from NRA is pretty disorderly.

Discrepancy. There's a discrepancy between the foregoing appraisal of the spirit within Washington these days, as privately expressed by many officials, and the public official utterances which display unruffled confidence. Mr. Farley, for example, says that all the talk about third party danger next year and recent decline in public confidence in Roosevelt is just "propaganda." I give you his views and my own reportorial observations, and I suppose you will have to decide for yourself which are correct.

Congress. The frayed-nerve stage usually is reached by Congress in June. This year it arrived in early April. Also a paucity of finished legislation now that the session is four months gone, with only two more months to run (guessing adjournment as of July 3). This means that the log jam in Congress will be greater this year than usual. This, in turn, means either failure of much New Deal legislation, or the compromise of much of it during the last stages, in June.

Most members of Congress individually are more conservative than Roosevelt, but as a body they are influ-

enced (on inflation, etc.) by mass opinion and politics.

Most congressional leaders would like to quit and go home as soon as they can. The fewer big questions they have to decide, the better they like it. They can't deliberately dodge, but they can delay, they can get the two houses into tangles. This is a way of avoiding the focusing of responsibility for legislative *impasses*.

Congressional horseplay naturally makes unsettling news, and this must be expected in May and June. But keep in mind that horseplay kills off much legislation.

To Point Direction

YOU ask a lot of questions about a lot of Washington things. The best I can do within our rigid limits of time is to cut out details and reasons and causes, and merely to give you a shove in the general direction of what's likely to happen. You can fill in and round out from daily and weekly sources.

Work-relief. Expect grand big revival of something resembling Civil Works program. Will not be called that, but will be like that. Jobs for all who need jobs? No, too much to expect. Business stimulant? No, just the same old sustaining influence on business as felt during the past year. Net, a retarding influence, probably, but hard to prove. Graft and irregularities in work-relief? Yes, expect much of it as a matter of course, not because officials intend it, but because they can't avoid it in any such big scheme of public spending.

Spending to prime-the-pump: It's out. The idea isn't to prime the pump, but to give relief. For a dollar of government expenditure, business gets about a dollar's worth of stimulation. There's very little "leverage" in the spending program.

Social security. When the bill finally gets through it will provide old age pensions for the relief-needy, and some sort of other old age privileges, and some half-scheme for unemployment insurance. It will not hurt business much, and it will not satisfy the seekers of security much. It will be such a crust as to infuriate the Townsend old age pension millions, who have been kidded into expecting not only bread but cake and jam.

Utilities. Congress is going to impose some sort of moderate restraint on holding companies, some regulation and limitation of their activities, but not enough to impose death sentence. It will be a half-way measure.

Banking. Expect final enactment of the administration bill, with about two-thirds of the Administration's idea, including most of the Eccles plan for centralizing federal government responsibility for banking and credit policy. Tell your banker he must get accustomed to the idea that he is in the public utility status, regulated and controlled by Government.

Taxes. Existing excise taxes will be continued. New excise taxes may be imposed, but there's no sound basis for forecast as yet. No *big* new tax increase will be voted, it seems. Congress is too timid, scared, tired to tackle such a fundamental thing as taxation reform.

Railroads. No important legislation this year. Government ownership is a possibility, some years hence, if business lags.

NRA. Some dwindled semblance will be continued, without price fixing, without production control, with plenty of competition.

AAA. In critical stage. Hardly knows which way to turn.

Too much government? Fundamentally the Roosevelt Administration believes in imposing great responsibilities on government, in making government the dominant power. The theory is one thing and the practice is another. The question is now acute: Is government capable, is government sufficiently well advanced, to carry the responsibilities it has drawn upon itself? If

you know government only from text books, you are apt to think it *can*. If you know government by actually watching its wheels go 'round, you are apt to think it *can't*. At least not a democratic form of government. Seems to me that government must either relinquish some of its present responsibilities and rely more on individual initiative, or else move in the general direction of fascist control. The present mixture of different brands of politico-economic philosophy cannot last.

Business Outlook

BETWEEN now and July, a decline at more than the rate usually expectable at this time of year. If the present measure of industrial production is around 87 (estimated), it is likely to decline to around 78 or perhaps even 75 in July. This is composite opinion of a group of business analysts who cooperate with me.

Better business in the fall is expected, rising to approximately present levels at the end of the year.

Projection of various intelligent estimates of the future indicates that 1937 is apt to be the first full year of anything resembling normal business or "prosperity." This implies industrial production at above 100 in 1937, as compared with 82 to 85 average for 1935. This cannot be said with certainty, of course, but it is a tentative pattern of expectancy.

Most plans are being made on the basis of a creeping recovery, by stages—two stages up, then one stage down. A small gain this year over last year, and somewhat bigger gains in 1936 over 1935, with nothing spectacular.

Boom Ahead?

SOME day business will get over its fright and use its resources to make and sell the accumulated quantity of things which people want but have deferred buying. This will make a boom. Perhaps a sound boom, perhaps an unsound inflationary spree. The longer it is postponed, the more likely it is to be unsound. The longer the Government piles up deficits and conducts reform experiments which frighten business, the broader will be the base of credit which can be expanded or inflated when the will to spend blooms again.

Somewhat heretically, some astute conservative members of the Administration are saying (privately) that a rigorous move to balance the budget would quickly produce inflation, credit inflation. If government experimentalism were to be removed as a retarding influence on business, the result would be an unloosing of the big forces of capital expenditures, a sharp inflation of the more-than-ample bank reserves. Frankly, I don't see any signs of such a development at any time soon.

It is reasonable to suppose that inflation is coming, slowly, gradually, step by step, evident to the general public either in 1936 or 1937.

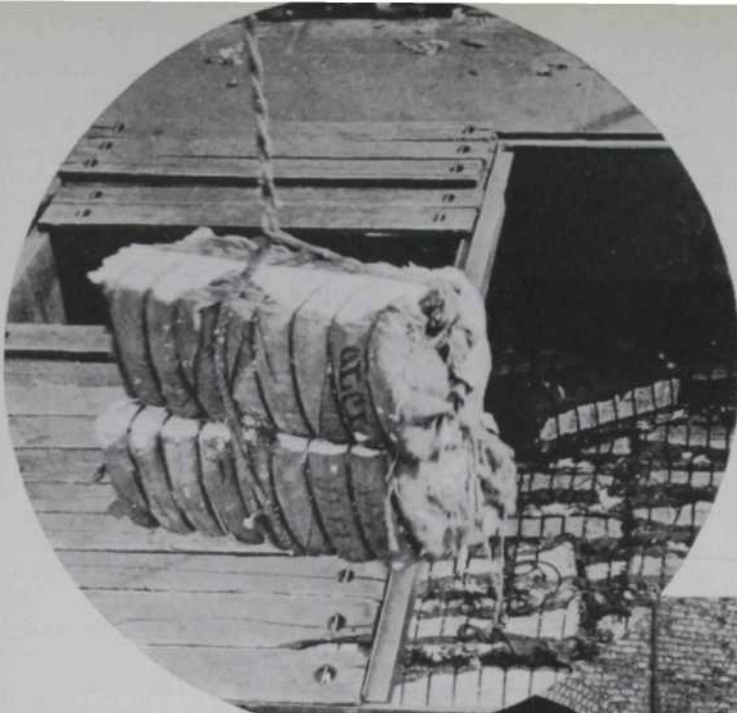
An inflation crisis late this year or early next year? Some people are talking about it as a possibility—a collapse of government credit, new difficulty in government borrowing, hence a resort to inflation. Of course, this is possible, but to me it does not seem predictable.

Few things are absolutely certain. That's why the Washington situation and public opinion must be watched carefully, must be reappraised from time to time.

Sincerely yours,

Wm. L. Springer

Wanted—



EWING GALLOWAY

Scenes which are becoming increasingly infrequent. Above, cotton being loaded for export. Right, American cotton in Liverpool



G. T. HOWARD COTTON CONTROLLERS, LIVERPOOL

COTTON has been king in the South for more than a century. That is, looking at it from modern angles, perhaps an unfortunate situation, because today cotton—and consequently the South—is at a crossroads. The future of the belt that has produced and successfully marketed as many as 18,000,000 bales of cotton in a single season—the basis of the economic buying power of some 20,000,000 people—is at stake. The Department of Agriculture's program of artificial price stimulation, acreage curtailment and loans at more than the world price has brought a modest recovery. To sustain these gains, however, a national cotton policy is needed.

About 2,000,000 cotton farm families are equipped to produce and sell between 14,000,000 and 15,000,000 bales a year. The financing of cotton has been an important item in southern banking. About 10,000 gins have no purpose in being except to prepare these crops for market. Some 1,000 port and interior compresses and warehouses are necessary to house such normal crops between periods of production and consumption.

However, the United States itself consumes but 5,000,000 to 6,000,000 bales of cotton. Therefore, the root of the whole problem is the annual exportation of between 8,000,000 and 9,000,000 bales. From these normal exports, the South receives from \$400,000,000 to \$500,000,000 of new income each year with which to pump economic lifeblood into southern enterprise and buying power. That buying power is vitally necessary to the industrial North; even more important to the agricultural Middle West because should these export markets be permanently lost, much cotton land will have to be devoted to something else—probably corn, hogs, cattle or dairy products. In a jiffy, the South would become—not a customer but a competitor for markets.

Boiled down, the economic problem in cotton is wheth-

er the South must permanently sacrifice its export markets in the interest of sub-normally controlled crops and possibly higher prices. Were the present government curtailment program to continue indefinitely there is little doubt that, in the end, this country would be shorn of the last of its export markets. Would that be economically wise for a South that is irretrievably bound together by the mutual link of collaboration in producing and marketing a normal cotton crop?

Selling cotton abroad today is a matter of two factors—supply and price. On both scores, this country is at a disadvantage. Our prices are higher than world parity and foreign supplies available for export are larger than normal. A few years ago American cotton got the call from foreign spinners because they had not satisfactorily adjusted their looms to the use of foreign growths. Today, continental spinners have made the necessary machinery adjustments to use foreign cottons. Furthermore, it is now proposed in Liverpool to make foreign growths, as well as American, tenderable on contracts there. This is another move definitely calculated to increase use of foreign cotton.

Cotton production increases abroad

IT WOULD be absurd to assume that the high price of American cotton during the past two years as compared with the depression low figures has been the sole incentive that caused foreign cotton producing countries to expand their outputs. More than 50 countries produce cotton. As a matter of record, their output has just about doubled in 25 years. The world crop, outside of this country, reached the record figure of 13,250,000 bales this season. For the first time since the season of 1871-2, foreign countries produced more cotton than the

A National Cotton Policy

By RICHARD J. MAYER

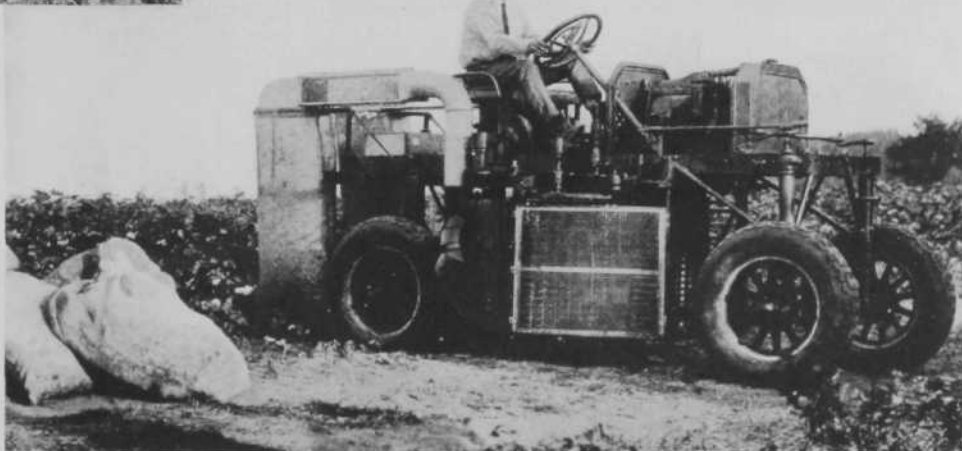
Commodity Editor, the "Wall Street Journal"

IF YOU live outside the Cotton Belt you probably feel that you have other things to do besides worrying about the cotton surplus. But the cotton problem reaches proportions which make it worth the attention of all sections of the country. Suppose, for instance, that, unable to sell its cotton, the South turns to other agricultural activities. What effect will that have on the Middle West? That is only one of the questions raised in this effort to find out what is to be done about a troublesome situation



EWING GALLOWAY

This machine solves one problem and raises another. It will pick as much cotton in a day as a handpicker can pick in a season—but then what happens to those who now work in the cotton fields?



U. S. DEPARTMENT OF AGRICULTURE

United States. Whereas, heretofore, the United States grew 60 to 65 per cent of the world crop, this season it raised not much more than 40 per cent. Foreign cotton, rather than American, now makes the world price.

It may be a trifle unfair to assume that all this foreign cotton competes for our markets abroad. Both Russia and China produce almost entirely for domestic consumption. Their outputs, therefore, may be disregarded in the foreign competitive lists. This would bring competing crops down to 7,640,000 bales. However, in the past both Russia and China were modest import customers, which must be considered in a balanced reckoning.

Furthermore, the foreign cotton export threat is growing. W. L. Clayton of Anderson, Clayton & Co. of Houston, Texas, one of the world's largest cotton export firms, gets to the meat of the matter when he declares:

"Most of these 50 foreign countries can and will expand their cotton production (some of them rapidly) so long as the United States, the principal cotton producing country, continues artificially to keep the price of American cotton above the world price by curtailing cotton acreage and drawing millions of bales into governmental hands where it becomes frozen out of the channels of trade, leaving the way clear for foreign producers to take the export markets."

During the 1933-34 season, the AAA paid farmers to destroy about 25 per cent of their growing cotton and pegged the American price at ten cents a pound. The production curb was retained and the peg raised to 12 cents during the current season. Foreign prices advanced in sympathy with the reduction in American

production but far less sharply than in this country, because it was realized that other countries' outputs would largely make up that slack. The temporary advantage that our currency devaluation had upon cotton sales to gold standard countries was more than offset by the spread between the price of Indian, Brazilian and Egyptian cottons as compared with this country's.

Continuance of an artificially high price policy will not only tend to increase foreign competitive production, but will also hand foreign countries our remaining export trade. From the standpoint of consumption, John H. McFadden, Jr., president of the New York Cotton Exchange, believes that it is much easier to lose a market than to regain one that has been lost. In his opinion the victor in the fight for the foreign cotton consuming markets will be "he who can grow the largest quantity of the most desirable quality of cotton at the lowest price."

Against our 12-cent or higher domestic prices, Brazil is now raising cotton of a grade equal to ours at a profit for seven cents a pound. The old argument that "no other country on earth can produce quality cotton in quantity as cheaply as America" no longer holds. Cotton is now raised in all 13 Brazilian states. Benjamin Adler, an authority of cotton affairs in that country, points out that the states of São Paulo and Minas Geraes alone have more than 200,000,000 acres of potential cotton land served by railroads and dirt roads already constructed. The 1935 crop in São Paulo is said to be nearly 1,000,000 bales; from the remainder of Brazil probably an additional 700,000. Production has been doubling yearly of late in that country. The yield on the virgin land is high and that country's cotton capacity has scarcely been skimmed. Moreover, preparations for bigger and better future crops indicate that Brazil does not mean to pass lightly out of the picture to make way

for this country's return. American exports of cotton gins, presses and parts to that country totaled \$558,305 in 1934 compared with but \$68,081 in 1933 and \$89,594 in 1929.

Several of the largest American cotton export firms have already established branch offices in Brazil. Indeed, the largest firm handling that staple in the world is reported as making extensive preparations to remove its main offices to Brazil—and Brazil is but one of the many countries that are eager to usurp our cotton export throne. Egypt has removed all restrictions and control from cotton so that its product may pass rapidly into consumers' hands. Recently, following the sharp break in American futures prices, Egypt countered by removing its tax on all cotton ginned, either for domestic or foreign use. This would, therefore, reduce the world price of Egyptian cotton by that amount. Egypt's crop is limited to some extent by irrigation facilities and the need to maintain a system of crop rotation designed to maintain soil fertility. India, too, has definite crop limitations because of the necessity of acreage for food supplies. In Africa and Argentina such limitations are unknown, and it is from these countries as well as Brazil that further cotton threats will come.

Price helps foreign cotton

BUT foreign cotton was always produced in the past. In 1928-29, the foreign crop (exclusive of Russia and China) was 43,000 bales larger than the current output. In 1925-26, it was 271,000 bales larger and in the preceding year it was 99,000 bales larger. Yet American cotton was a king-pin seller abroad. Why the change now?

It is mainly a matter of price. Some of our former foreign cotton customers allege that our continued high tariff policy is forcing them to buy cotton elsewhere; that they cannot conveniently obtain dollars to buy with. That is undoubtedly a supplementary factor and, in some cases, it may be a major one. Germany is paying two and three cents a pound over the world market for Persian, Turkish and Chinese cotton because it does not have to use foreign exchange but can ship manufactured goods in payment. Germany and Italy are also reported to be negotiating for Brazilian cotton on the same basis.

However, in general, the argument that foreign consumers are not able to buy more of our cotton because of difficulty in obtaining dollars should be carefully examined.

(Continued on page 70)



EWING GALLOWAY

Rivals of the South. Indian cotton (left) and Egyptian cotton (below) are invading markets once regarded as exclusively American



U. S. DEPARTMENT OF AGRICULTURE

Portrait of a "Propagandist"

By HERBERT COREY

THOUSANDS of letters protesting against the Rayburn-Wheeler bill have poured into Congress. They have been condemned as an "effort to influence legislation." "Is it wrong to influence legislation?" Here is an answer by the man who inspired the writing of some of the letters

HE WEIGHS more than 200 pounds. Not many of the pounds are excess. He comes of Scotch-Irish Covenanting stock. That breed never hesitated to fight for its rights. The more it is bedevilled the harder it fights. His face is round and ruddy, his jaw square and his blue eyes are bright. He is at once emotional, naïve and hard-boiled. Most of his life has been spent in fighting one thing or another.

He fought political corruption and just missed being elected United States senator in Illinois. He fought for religious freedom and for better education. He wrote the resolution ratifying the election of United States senators by popular vote in Illinois and the law which gave women the right to vote. Illinois was the first state east of the Mississippi to make this gentlemanly gesture. He believes that men are elected to office in the United States to govern and not to rule the people. There is a distinction. Only one charge has ever been brought against him. His opponents call him a "propagandist."

Dr. Hugh Stewart Magill is the man who set fire to one million letters under the chairs of senators and representatives in Congress. Perhaps the number is wrong. No one knows. But the letters came almost by carloads.

One senator alone had received 16,000 more than a month ago. Some of their recipients call them "canned" letters because some of them are identical. Perhaps some are "canned."



FOR NATION'S BUSINESS BY MCAVOY

Dr. Hugh Stewart Magill

But when a man who cannot write with ease is so troubled in his mind that he will accept a formula of protest someone else has devised, his copy still remains a protest.

A voice for the little man

PERHAPS Dr. Magill played a smaller part in loosening this avalanche of letters and telegrams on Congress than I am crediting him with. But he played a great part. When he became president of the American Federation of Utility Investors little had been heard of the thousands of men and women who owned utility stocks and bonds and believed in them and were holding on to them in spite of the drop in the market price. Dr. Magill gave them a voice. He showed them how to protest against the attack upon utility holding companies made by government agencies through the medium of the Rayburn-Wheeler bill. For the first time they were able to make themselves heard.

"They call that 'propaganda,'" Dr.

Magill observes grimly. "We haven't started yet."

Dr. Magill has been responding to "causes" all his life. He never learned what some men call discretion. When he was a young school teacher in Illinois he attacked a man and a ring who and which were soaked in crookedness. Most young school teachers would have been afraid. A committee came to him to urge him to stand for the legislature. The members were prominent men, but they came to him by night. He accepted the offer and banded away at his campaign. The ring was against him, the larger taxpayers were

afraid to speak for him and the betting was anything you could get that the other fellow would win. Magill won hands down. The things he said in that campaign—well, they were probably "propaganda", too.

There are perhaps 100,000 dollar-a-year members in his Federation of Utility Investors out of the three or four or five million men and women who own securities in the \$14,000,000,000 industry. He takes no money from the utility organizations directly or indirectly. He has criticised some of the practices of utility management as bitterly as he is now criticising the Government's effort to take the industry away from its owners and turn it over to politicians. But he is even more concerned about what he sees back of this attack on a great industry than he is about the money loss to the investors.

"I think that justice is being denied the individual. The right of free speech and free petition to Congress is endangered. It is not enough to ask that Government get out of business and stand out. It is not enough to say

that it is silly and wicked to supplant an efficient taxpaying industry by a tax-eating industry which may or may not prove to be efficient when managed by elected baby-kissers.

Fighting official propaganda

"WE must recognize that the rights we thought fundamental and imperishable are jeopardized and that the form of our Government is being dishonestly changed. Our opponents batter our ears with their arguments. They load down every mail train with their literature. They talk over the radio. When we reply, they charge us with uttering 'propaganda.' I tried to buy time on the air to reply to statements made by proponents of the Rayburn-Wheeler bill. I have not yet succeeded in getting that time. There is no censorship of radio. We are told that often enough. It merely happens that the man in opposition in the American republic is not to be heard. That's all."

He called on utility investors to write letters of protest to their senators and representatives in Congress against the pending legislation and surprising things began to happen.

President Roosevelt in a message that has been called "vehement" demanded an inquiry into the source of the "propaganda" against the Rayburn-Wheeler bill.

The propaganda had hardly started at that time. What had been heard had come from the other side. Magill was just getting into action. Secre-

tary of Commerce Roper followed with an address which Magill characterizes as "astounding." Mr. Roper said that men are using the right of free speech for destructive purposes. The implication was that it might become necessary to impose restrictions on free speech.

Postmaster General Farley said something of the same kind. The committee of Congress which was conducting hearings on the Rayburn-Wheeler bill began to pull down its eyebrows at Magill. Congressman Bulwinkle of the House Committee on Interstate and Foreign Commerce asked about Magill's Federation at a hearing. He had been told that there are perhaps 5,000,000 utility stockholders in the United States and that these letters were going out to them.

"So these letters are going out to 5,000,000 people at a dollar apiece for fighting legislation," said Mr. Bulwinkle heavily.

Dr. Magill was not perturbed by that. He fails to see why he should not fight legislation that he thinks is destructive to a great industry. The other side fights. It does not pull its punches.

The other day it was denied in the highest quarters that the TVA has ever solicited industries to move into the Tennessee Valley and buy current from the new government plant. That was the openly admitted plan at the outset but the communities which were to be bereft of factories complained. So the denial was made. In the same issue of the Washington

Post which printed the denial appeared the names of secretaries of boards of commerce who said that presumably accredited agents of the TVA had come to their cities and asked to be referred to industries that might move to the Happy Valley.

"The Government is not a good sport," remarked Dr. Magill. "It does not play the game. It is as though the referee at a Yale-Harvard football game were to say to the Harvard eleven:

"I may change the rules in the course of the game, but I will not say anything to you about it. It is necessary that Yale shall win, even if I have to play myself. I might even call in the timekeepers to help Yale. But let it be understood that, if I do, it is against the rules to interfere with us in any way. You may not so much as lay hands on the ball."

It had been announced that the Rayburn-Wheeler bill was written with a view to putting utility holding companies out of business. For years members of both Houses of Congress had assailed the utilities. But when Dr. Magill began his opposition to the bill a Congressman said in committee:

"There can be but one purpose of that propaganda and that is on the supposition that the members of this committee and of Congress do not have the intelligence or courage or fairness to give proper consideration to this bill on its merits."

Opposition is propaganda

CONGRESSMAN Rayburn was given radio time in which to approve the bill and score the propagandists who were against it. In the dictionary the word, "propaganda" is innocent enough. It merely means the zeal which the propagandist manifests in spreading the principles in which he believes. In the earlier United States men shot at each other and cut each other with knives because they resented things that had been said. It was rarely suggested that the offenders did not have the right to say them.

Nowadays the word has come to have an almost sinister connotation. "Propaganda" today is the promulgation of a doctrine believed in by the party which is not in power. In 1914-1919 all German statements were propaganda. Those of the Allied Powers were founded on reason and the purest humanity.

Magill is essentially a reformer. Early in life, however, he learned to temper his idealism with practicality. He is never to be found opposing good works.

"But I want to see that the good
(Continued on page 60)



FOR NATION'S BUSINESS BY MCAVOY

Mr. Corey (left) and Dr. Magill examine some of the letters from owners of utility stock whose battle the latter is fighting

Deciding the Fate of NRA



Philip Murray

UNDERWOOD & UNDERWOOD



Senator King leans forward as he puts a question to one of the witnesses



Senator Harrison, committee chairman, and Senator Couzens listen to the testimony for and against the NRA

FOR NATION'S BUSINESS BY LOHR



FOR NATION'S BUSINESS BY LOHR

Donald Richberg considers a moment before replying

FRRIENDS and foes of NRA sat at a long table in a crowded room of the Senate Office Building and answered questions which will play their part in deciding the future of the Recovery Administration which, by the terms of the original law, would end this June. Members of the Senate Committee investigating NRA asked their questions from a platform which surrounded the witness table on three sides. On the fourth side were the spectators who, on occasion, took such an active part in proceedings that the chairman threatened to clear the room.

Messengers came and went. Spectators and committee members smoked to the detriment of expensive carpets since no hearing room has sufficient ash trays.

While the investigation went on Clay Williams retired as chairman of the NRA board. President Roosevelt named Donald Richberg as acting chairman and appointed two new board members, Philip Murray, vice president of the United Mine Workers and William P. Witherow, retired steel man.



UNDERWOOD & UNDERWOOD

William P. Witherow

News That Made Financial

By EDWARD H. COLLINS

Associate Financial Editor, New York "Herald Tribune"

THE recent Supreme Court decisions in the gold cases made judicial history in the United States; they made political history; and they made monetary history. But these are not the sum total of their contributions. From the standpoint of Wall Street, where the findings, whatever their nature, were certain to bring a sudden and perhaps far-reaching shifting in values, they added a new and dramatic chapter to the lore of human interest stories.

For the man on Main Street, unaccustomed to interpreting news in stock market terms, it is difficult to comprehend the swift and violent reaction of Wall Street to news of financial importance. For this reason, the gathering and dissemination of financial news differ from the handling of general news—except in unusual cases—in two essentials.

First, "news," below Fulton Street, is anything and everything that in any way may affect exchange markets.

Second, the emphasis in Wall Street is on *getting* the news. Presentation, important in the case of ordinary news, is of little consequence. The editor of a financial news agency is interested only in getting more news quicker than his competitors. Time, counted in seconds, is the big element.

The money importance of Wall Street news—a story may, on occasions, make or break fortunes—and the necessity of preventing any hiatus between the release of the news and its dissemination have combined more than once to produce excited charges of misuse of information. At other times when markets have risen or fallen sharply before the official publication of a piece of news, the cry of "leak" has echoed through the Street.

But the human equation can assert itself in other and less sinister ways. It can, and frequently has, taken the form of carelessness, inadvertence, and, in the case of some financial stories, overanxiety of a news agency to



Tribune.

(Copyright 1907, by The Tribune Association, Inc.)

NEW YORK, SUNDAY, AUGUST 4, 1907. —5 PARTS—FIFTY-EIGHT PAGES

PRICE FIVE CENTS.

JUDGE LANDIS.

Who imposed the maximum fine of \$25,000,000 for rebelling on Standard Oil Company.
(Photo by Underwood & Underwood.)



R. ST. GAUDENS DEAD.

All Known Sculptor Expires at New Hampshire Home.

ROSELAND, N. H., Aug. 3.—Augustus St. Gaudens, the sculptor, died at his home, in Cornish, 50 o'clock this evening, after a long illness. It was the result of a general breakdown of

DEMANDS OF FILIPINOS.

Radical Majority in Assembly Will Ask Independence.

MANILA, Aug. 3.—The election returns are still incomplete, but sufficient votes have been counted to insure a safe majority for the Nationalists. It is estimated that over 50 per cent

WOMAN SHOTS MAN.

Jumps Six Floors After Killing Electrician.

Frank Gertinger, twenty-seven years old, an electrician, was shot and instantly killed early this morning in the apartment house at No. 329 East 83d street by Mrs. Teresa Stein, thirty-seven years old, of the same address.

After committing the murder the woman jumped from the sixth story window to the street. She was taken to the Presbyterian Hospital a prisoner. It is said that she will not recover.

Patrolman Strauss, of the 5th street station, was passing the house at the time, but was unable to learn any of the details of the murder and attempted suicide.

ROB HOUSE AND FIRE IT.

Servant's Body Found in Cellar When Blaze Is Out.

The body of a servant girl was found late last night in the home of Leo and Harry Mack, at No. 802 East 62d street. The house was entered in the afternoon and \$700 in jewelry was stolen. The girl was found in the cellar, with her head crushed. She was alone in the house.

During the afternoon a fire was discovered in the second story and firemen entering found the place torn up. Carpets and bedding were scattered around. The place was locked and the firemen had to break in to put out the fire. They saw no one.

When the Mack brothers returned they could not find the servant. They discovered they had been robbed and reported to the police. Later they went to the cellar and found the body of the girl.

The Mack brothers live alone in the house, as the families of both of them are in the country. They kept only one servant, Sophie Becker. Leo is a clothier, and Harry is a lawyer at No. 52 William street.

At noon Harry sent a package home, and it was received by the girl. At 4 o'clock a man passing in the street saw smoke issuing from a second story window. He turned in an alarm. The fire had started in a closet. The loss was \$300.

The brothers were told of the fire, and hurried home. They were loath to think that their model servant had turned thief, but they could

OIL FINE \$29,240,000.

TO TAKE UP ALTON NEXT

Judge Landis Scores Standard in Imposing Maximum Penalty.

(The Tribune to The Tribune.)
CHICAGO, Aug. 3.—Judge Landis in the United States District Court fined the Standard Oil Company to-day \$29,240,000, the extreme penalty possible for its conviction on 1,402 counts for the acceptance of illegal rebates. In the announcement he chose, so far as his court is concerned, one of the most important cases against a corporation in the history of the United States.

Before attorneys for the corporation could recover their breath the judge gave them a second shock when he called a special grand jury for August 11 to investigate the same violations of law from the point of view of conspiracy between the Standard Oil, the Alton road and officials of both. This charge, if proved, may land some of the railroad and oil officers in jail. Not only was District Attorney Sims instructed to proceed against the Alton Railroad as a corporation, but he will also direct an investigation of the individuals who were parties to the scheme by which the Standard Oil Company of Indiana secured the transportation of its products at less than one-third the legal rate.

The charge to be made against these men is conspiracy to violate a general law, known as Section 5440 of the Revised Statutes of the United States. The punishment for conviction of this offense is a fine of \$100,000 or a sentence of two years in the penitentiary, or both.

While there is a possibility that some of the men mentioned may escape indictment at the hands of the new grand jury, there is said to be no hope for the railroad company. The evidence used to indict and convict the Standard Oil Company will also be used against the Chicago & Alton. It has already been tested in court, and the conviction of the road is expected to be even simpler than was that of the Standard Oil Company. In the Alton case there will be no necessity to show that the rebates were not posted, as required by law, since that is a provision to safeguard the shippers and not the carrier. In fact, every point which the Alton might choose for its defense, has already been decided.

NO IMMUNITY PLAN.

CULVER SERVICE

History

be first on the wire with its flash. Human frailty in one form or another has, as a matter of fact, written its record large in dollar signs in the annals of news gathering in Wall Street, where news is often so much dynamite.

The bigger the story, the more intense is the competition among the press organizations and the greater the possibility that someone will blunder. It is not, therefore, surprising to find that, in the gold cases of February 18, the most important piece of news potentially that has overhung Wall Street in 15 years, two newspapers in New York and one in Washington issued extras carrying incomplete or erroneous versions of the Court's findings. The editors of one paper discovered the error within a few minutes and rushed out a fleet of trucks in an effort to call back the erroneous story. Some 6,000 copies of the extra were sold, however. Another

The Weather
Cloudy and warmer to-night
Full report on Page 7.

FOUNDED 1801—VOL. 119, No. 94.

Stock Dividend Tax Invalid; U. S. Must Refund Vast Sum

Supreme Court Rules
on 1916 Income Law
Votes, 5 to 4, to Uphold
Lower Tribunals

Fortunes Won and Lost on Wall
Street Through 10-Minute
Ticker Error

WASHINGTON, March 8.—Stock dividends may not be taxed as income, the Supreme Court held today in declaring unconstitutional the provisions of the 1916 Income Tax Act taxing as income such dividends declared by corporations out of earnings and profits accruing after March 1, 1913.

The court divided five to four, Justice Pitney rendering the majority opinion, Justices Holmes and Day joining in one dissenting opinion and Justices Clark and Brandeis in another.

Under the court's ruling, the Federal Government must refund millions of dollars in taxes collected on stock dividends since the 1916 law became effective. Internal Revenue Bureau officials said today the exact total of the refunds could not be estimated.

Ticker Error Causes Big
Surprise on Wall Street

Erroneous reports issued by financial news tickers that the United States Supreme Court had declared stock dividends taxable took Wall Street by surprise today and caused heavy selling of the general list. Reactions of 5 to 20 points from the high prices of the morning were made by all the active issues, notably General Motors, United States Rubber, Crucible Steel, American Woolen, Mexican Petroleum, Baldwin Locomotive and Atlantic Gulf.

The market made full recovery when it was found that taxation of stock dividends as income had been declared unconstitutional. In numerous instances stocks exceeded their highest quotations of the morning, especially certain issues on which extra dividends are expected as a result of today's decision. The upward range was from 5 to 42 points in General Motors.

Break in Stocks Caused by Error

Mistake Made in Transmission of Court Ruling

Correction Brings Rapid Advance—Fortunes Won and Lost in Wall Street

Thousands of dollars were lost and won in the space of ten minutes in Wall Street today, when the news tickers on which the stock market relies for its flashes of information flatly misstated the decision of the Supreme Court in the stock dividend tax case.

CULVER SERVICE

HERALD Tribune

LATE CITY
EDITION

926

I.C.C. Bars Billion-Dollar Nickel Plate Rail Merger; Stocks Suffer Wide Break

Sudden Assault by Bears
on a Market Technically
Weak Sends Securities
Crashing Amid Tumult

3,038,098 Shares
Sold During Day

Declines Run to 13 Points,
but Rally Marks Close;
Street Talks of 'Leak' on
Van Sweringen Decision

By Endicott G. Rich

The great bull market in stocks which began with the election of President Coolidge took a sharp turn on February 18, after a life of nearly two years, crashed yesterday afternoon. Like all airplanes, disabled at great heights, which first show their plunges eastward, the market sagged just before 2 o'clock toward the close of a dull session, then shot downward at a pace unopposed since the break of 1910.

In the last hour of trading a record was created for the number of shares dealt in and there was wild excitement

Their Rail Plan Halted



Financial Structure of the
Proposed Company Is
Held Unsound, Especially
as to Minority Control

Transportation Part
Of Plan Is Approved

Decision Leaves the Road
Open to Another Effort
at Consolidation Upon
Revision of Conditions

The complete text of the Interstate Commerce Commission's decision in the Nickel Plate merger case will be found on Pages 6 and 7.

By Carter Field

WASHINGTON, March 2.—In a far-reaching decision which will serve as a warning and guide—if not a positive deterrent—to railroad consolidations, the Interstate Commerce Commission today knocked out the proposed billion-dollar Van Sweringen combination of the Nickel

News that shook markets! In 1907 Judge Landis' decision fining the Standard Oil Company almost \$30,000,000 caused a tidal wave of stock selling. In 1920, the Supreme Court's decision that stock dividends were not taxable caused a boom after a false report started a stampede of selling. In 1926 the I.C.C.'s opposition to the Van Sweringen merger knocked the props from under railroad securities

Some Big Days in the History of the Stock Exchange



A meeting of the New York Stock Exchange in 1869. The bull market following the legal tender decision was still two years in the future

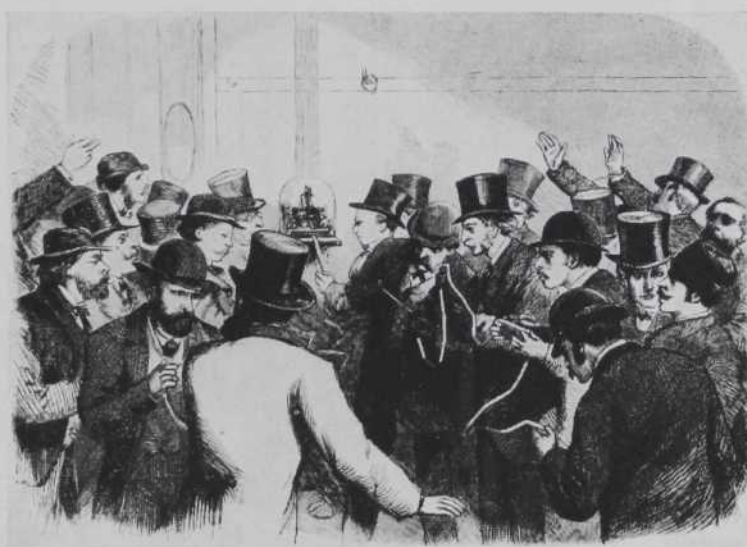


The legal tender cases brought two years of bull markets which ended in the panic of 1873. This is how Broad Street looked at the depth of that depression

ALL PICTURES FROM CULVER SERVICE



The Northern Securities decision brought two years of prosperity ending in the panic of 1907. This crowd gathered in front of the State Bank on Canal Street



Speculators in Erie stocks get the latest quotations from the ticker in Delmonico's at lunch time. From Leslie's Weekly, 1872

The Stock Exchange and Broad Street as pictured in "Ten years in Wall Street," published in 1870



paper reported technically the Government had "won and lost," which, although true, was not true from the hard-boiled dollars-and-cents viewpoint of the stock market.

Another New York evening paper avoided the error of its two competitors, but had a close call. It "replated" three times before going on the street with the correct interpretation.

Confused on the gold decision

ALL this excitement resulted from the confusion of a press agency handling the story in Washington. The first flash, declaring that the Government had won its case in respect to private bonds, was received in New York at 12:05. A minute later the flash which caused the trouble was received. This said:

"Chief Justice Hughes, in a summarization of the decision, disclosed the Court's ruling that Government 'gold clause' bonds must be paid off in gold, or in the equivalent of devalued currency.

"This, in effect," interpolated the news agency, "means that for every \$1,000 gold bond, the Government must pay \$1,690."

According to a survey made by *Editor and Publisher*, the incomplete version of the Government bond decision represented by these paragraphs was followed by a bulletin. This bulletin was suddenly interrupted by word to "kill" flash number two. Then a new and correct version was sent. All this took eight or nine minutes, however, and in this interval thousands of copies of the first extras

tionally, higher for the day, chiefly on the strength of the two decisions affecting corporate bonds, which, every report agreed, had been "favorable."

The slip was understandable, if not excusable. It was the result of an attempt to reconcile the court's findings that (a) the plaintiff had proved no damages, (b) the Joint Resolution (decreeing that gold payments were not necessary) was valid, (c) the Resolution was unconstitutional, and (d) bondholders had no recourse.

Less excusable and far more damaging so far as its financial consequences were concerned was the blunder 15 years earlier of a reporter for one of the big financial news agencies in connection with the Supreme Court's ruling on the taxing of stock dividends. Market-wise that case—the case of *McComber vs. Eisner*—was far more important than any or all of the gold cases. Had the Court found that stock dividends were taxable it would have meant the Government could seize millions in corporate equities. On the other hand many stocks of companies with large accumulated surpluses were marking time, ready to go ahead on a favorable ruling, which would mean that corporate directors would be free to cut a melon in the form of a stock distribution without fear that the Treasury would confiscate a large part of it.

On the day of that decision—March 9, 1920—the market entertained high hopes that the Court would rule favorably on the pending case. It was stunned, therefore, when the ticker, at 12:10, brought the brief but weighty message: "Washington—The Supreme Court has ruled that stock dividends are income, and are therefore taxable." This almost totally unexpected announcement knocked the bottom out of the market. Within a half hour 250,000 shares had been thrown overboard and prices were crumbling right and left.

Then, just as the selling wave was reaching full momentum—at 12:45—came a second flash: "The Supreme Court has sustained the lower court in finding that stock dividends are not income and therefore not taxable." By that time the Street



CULVER SERVICE

"Get it first" is not a new rule in financial reporting. The excited gentlemen on the right are Wall Street correspondents of 50 years ago hurrying to file their stories. Above are depositors of 1907 waiting for a bank to open

had roared off the press. The story had no serious repercussions in Wall Street, however, for two reasons. First, the financial district was at a complete loss to know how to evaluate the decision, even assuming it had an opportunity to digest it at its leisure, because it had no way of knowing what the Government's next step would be. Second, the report that the Government had lost the case involving its own bonds was flatly contradicted by the reports of Wall Street's leading financial news service, which said that the Administration had won all five cases.

In the circumstances, everyone was inclined to move cautiously, and there were accordingly few financial casualties. The market was sharply, though not sensa-



had become somewhat suspicious of the first flash which completely disagreed with private reports that had begun to pour in. Therefore, the new report turned the market about abruptly. The selling gave way to violent buying and market leaders closed the day in some cases 20 to 30 points up from the lows.

The reporter responsible for this "boner" was the victim of what perhaps can best be described as mental aberration. Listening to Justice Pitney, he first interpreted the opinion as unfavorable. Before him he had a slip of paper bearing the statement:

"The Supreme Court has ruled that stock dividends are not income and therefore not taxable."

Carrying out a prearranged plan and acting upon his first interpretation of the opinion, he carefully crossed out the two "nots" and prepared to release the statement. Wishing to be absolutely certain, however, he decided to hold up the dispatch. As Justice Pitney proceeded, the reporter became convinced that his original interpretation was wrong. Finally, having satisfied himself that his second interpretation was correct, he released his message—but he forgot to restore the two vital words that he had blocked out!

The Supreme Court decisions that may be said to have been far-reaching from the standpoint of the stock market are few. They include the legal tender cases, argued in 1868, but not finally decided until 1871; the Northern Securities case of 1905; the Standard Oil dissolution in 1911; and the decision of 1920 on the taxability of stock dividends.

Start of bull markets

AT LEAST two of these—the Northern Securities decision and the decision in the legal tender cases—have been historically associated with ensuing bull markets. A two-year boom followed the former, culminating in the Panic of 1907, and a similar bull market succeeded the latter, ending in the worst depression, until 1929, in the country's history.

If the Northern Securities decision played a part in producing the rising markets of 1905-1907, then another decision is popularly regarded as having played at least a minor rôle in producing the sequel. This, however, was not a Supreme Court decision. It was the famous decision of Judge Kenesaw Mountain Landis,

of the U. S. District Court at Chicago, which found the Standard Oil Company of Indiana guilty on 1,462 counts of accepting rebates in connection with petroleum shipments from the Chicago & Alton Railway and fined the corporation the maximum allowed by the law—\$20,000 for each offense, or \$29,240,000.

The news of the Landis decision appeared in the newspapers of Sunday, August 4, 1907. Where sales on Friday had totaled 286,000 shares, they rose to 408,000 shares on Monday under what for those days was regarded as a "tidal wave" of selling. It was not the mere fining of the great corporation that staggered the market. It was the combination of that incident with other evidences of hostility of the Roosevelt Administration to such "malefactors of great wealth" as Standard Oil. One cannot but be struck by the parallel between the drive of those days against certain of the great industrial corporations and the hammer blows which the present Roosevelt Administration has recently struck at the utility holding companies. The Monday after the Landis decision, for example, Herbert Knox Smith, Commissioner of Corporations, released a report, prepared for the President, in which he declared that "Standard Oil's dominance had been acquired, not by superior efficiency, but by unfair competition and by methods economically and morally unjustifiable."

Incidentally, the Landis decision was appealed and,
(Continued on page 66)



CULVER SERVICE



The decision dissolving the Standard Oil Company had a bullish effect as the Cleveland Leader's cartoonist reveals on the left. This was in 1911. The Landis decision four years earlier had the opposite effect. Cartoonist Davenport drew the upper picture for the New York Evening Mail. He called it "The New Pipe Line"

No Business Can Escape Change

New products are marching to market in never-ending parade. Here are a few from the current procession

A new protective paint consists of copper, in finely powdered, non-crystalline form, mixed with a special fluid carrier. It can be sprayed, dipped or brushed on any surface, is said to be proof against acids, alkalies, brines, fumes, rust. . . .

There's also a new exterior house paint, described as proof against staining from copper screening, rusty nails, etc., also against cracking and fading. . . .

Zinc chloride and sodium bichromate are combined in a new wood preservative. It's said to have greater preservative value than straight zinc chloride and, like the latter, to be termite-repellent, fire-retardant. . . .

Silverware is kept from tarnishing, it is said, by a new compound which absorbs tarnish-producing gases. An open jarful is placed in the silver cabinet, lasts several months. . . .

Tarnishing of metallic blouses and gowns is also retarded by new garment bags made of moisture-proof transparent cellulose backed with gauze. . . .

A versatile new gas range has, in addition to the usual features, a large-sized trash burner and a built-in gas circulating heater which will heat the kitchen and adjacent rooms. . . .

A pure silk is now offered which is described as waterproof (though it contains no rubber), acid-proof, heat-proof. It's also said not to harden, crack, stick or deteriorate with age. . . .

Monthly beauty hint: There's a new soothing oil for the finger and toe nails, designed to eliminate breaking, splitting. . . .

A snug, form-fitting dressing for minor wounds consists of an antiseptic gauze pad backed by a new elastic adhesive tape which wraps about the injured member. . . .

A new fever thermometer case has a spring arrangement which, by a few motions of the hand, lowers the mercury. . . .

A new liquid preparation, brushed over their surfaces, permits easy removal of stamps from envelopes, labels from glass or fabrics. It contains no acid or alkali to harm the latter. . . .

Gentlemen who prefer a note of color and luxury when it comes to galluses/braces are offered a new all-elastic foulard type, said to be the first such in the history of elastic webs. . . .

A new small figuring machine weighs but seven pounds, measures $5\frac{1}{2} \times 8\frac{1}{2}$ inches. It adds, subtracts, multiplies, divides, uses neither paper nor ribbon, is offered for small business and personal use, verifying totals, calculating, etc. . . .

Quiet operation, improved traction distinguishes two new lawn mowers. One has pneumatic rubber tires; the other cushion rubber treads on the wheels, rubber-covered roller. . . .

Mower knives on a new power lawn mower are removable, permitting use of the motor for other power purposes. . . .

A track-laying tractor attachment which serves as a rear driving unit for motor trucks has been developed. It permits high-speed hauling over poor roads or across country. . . .

A new gasket material consists of alternate layers of thin sheet aluminum and fine wire mesh, bound by an elastic compound. . . .

Errors due to friction are said to be eliminated, pulsating flows more accurately measured by a new type of flow meter which utilizes a variable orifice principle of operation. . . .



A dry, insulated wall, economical of mortar and speedily laid up, is provided by a new brick unit. Its interlocking joint offers a positive water stop and also makes the unit self-aligning

Higher fusion point, exceptionally strong bonding properties, are claimed for a new high-temperature bonding cement. . . .

A swivel head on a new bolt clipper allows it to be slipped under or around obstructions to reach hard-to-get-at bolts. It cuts with full power whether straight on or at angles. . . .

A machine is now offered which flocks or defiberizes rags and other waste products. It produces a flock which is often usable in place of flock prepared from more costly raw materials. . . .

A celluloid instead of metal base is used in a new, economical process for producing half-tones. It's said to shorten production time, give good tone quality, detail. . . .

Gas finds a new use through a new gas-operated summer air conditioner for domestic or industrial purposes. The equipment affords independent control of temperature, humidity. . . .

A new B battery for battery-operated radios eliminates the usual tangle of wires and connections. Instead of binding posts it has a plug-in socket, making connections simple, easy, neat. . . .

Furniture manufacturers are offered a new "invisible" ball-bearing caster. Made of heavy-gauge steel and finished in dark bronze, it has a bell-shaped skirt which conceals the wheel. . . .

Pears or apples are peeled, cored and halved or quartered, then routed to a conveyor by a new machine. It is said to handle 40 pears or 50 apples a minute. . . .

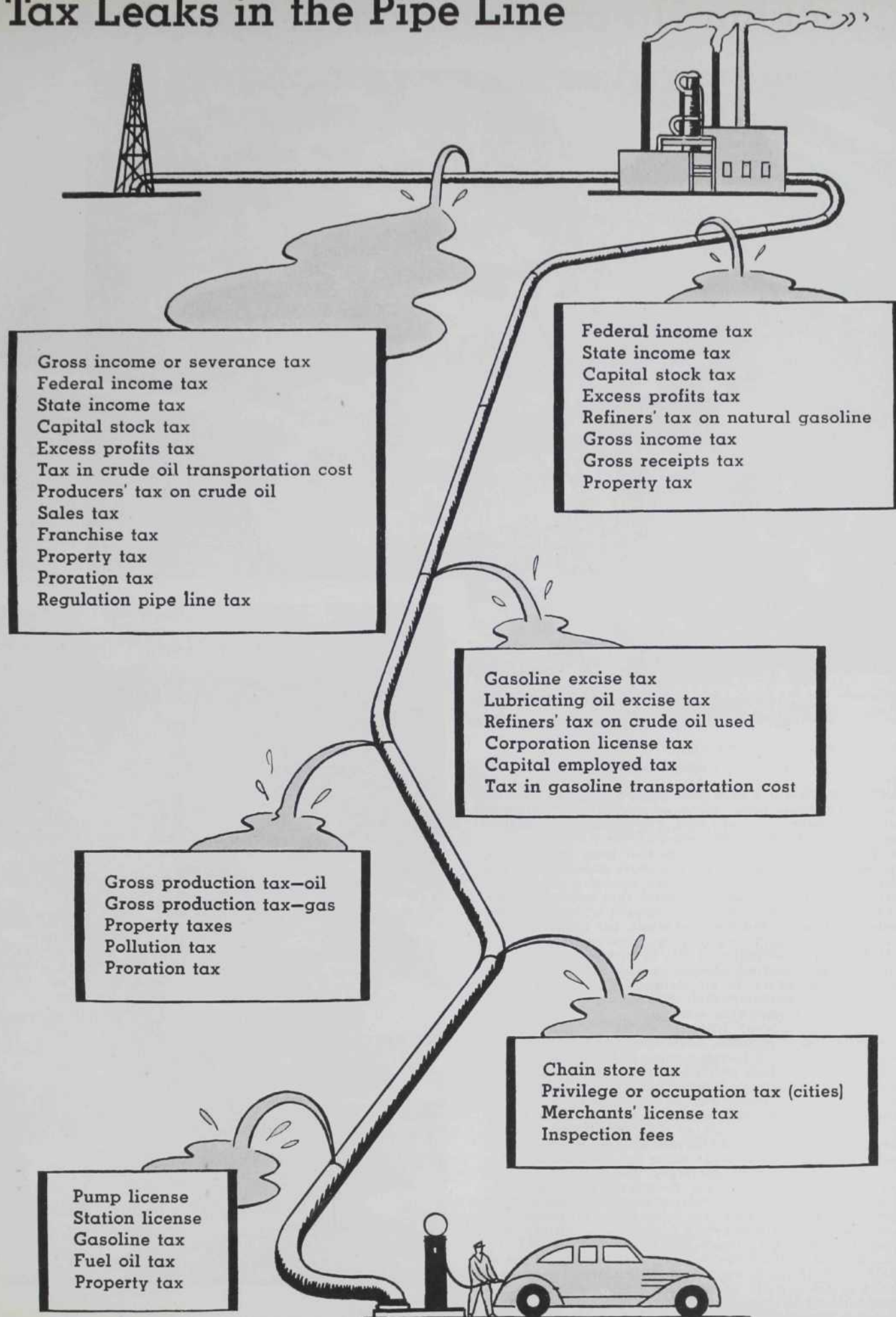
Milk distributors get their bottles back and the kids get some candy through a new device which passes out a stick of gum or a sweet every time an empty bottle is deposited in it. . . .

Parachutes which can be built into the seats of cabin planes without sacrificing comfort or appearance are now offered. Harness is out of sight, yet instantly, easily donned. . . .

—PAUL H. HAYWARD

EDITOR'S NOTE—This material is gathered from the many sources to which NATION'S BUSINESS has access and from the flow of business news into our offices in Washington. Further information on any of these items can be had by writing us.

Tax Leaks in the Pipe Line



Checking Up on Government Spenders



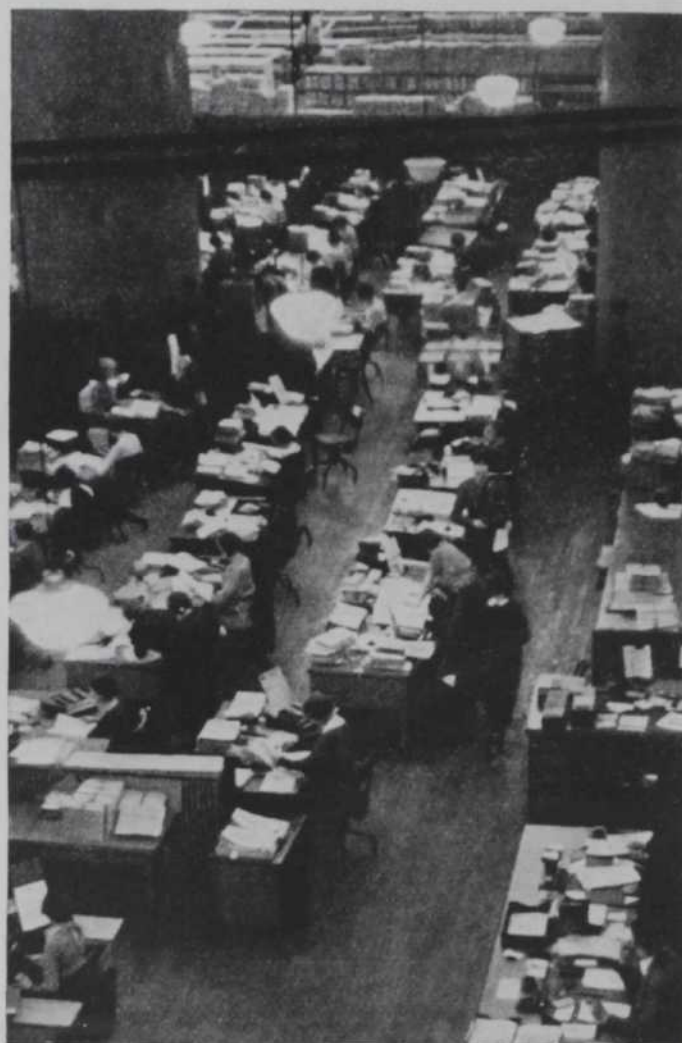
The magnificent ball room of the Old Pension Office now holds government accounts

THE TWO pictures here show parts of the ball room of the Old Pension Office Building where the Presidents' Inaugural Balls were once held. The adding and accounting machines in the lower picture are only a few of those in the General Accounting Office that keep track of the nation's expenditures. The picture above shows part of the badly crowded current files where incoming papers are sorted. To a casual visitor, it seems that every available foot of space in the building is crowded with papers, old and yellow, or crinkly new and white, but all bound with vivid red tape identifying them as governmental files.

The General Accounting Office is charged by law with the settlement and adjustment, independently of the executive departments, of all claims and accounts whatever in which the Government of the United States is concerned, either as debtor or creditor.

Comptroller General John R. McCarl, who heads the General Accounting Office, is Congress' only agent to see that the Government spends moneys appropriated by Congress for the purposes prescribed. Many times he has run afoul of the President's inferior officers, but the affair of the naval officers' tickets was, we believe, the first time he had run directly against the President himself. In March he ruled against Secretary of the Navy Swanson on a matter of paying passage homeward for Navy officers who had reached retirement age while on foreign duty. The President sided with his Secretary. The Attorney General gave an "opinion" that the Secretary was right. The Comptroller General said: "The Attorney General gave an opinion. I have issued a ruling." The President backed up; and if the Navy wishes to pay for its retired officers' trips home, Congress must change the law.

In addition to the refunds that disbursing officers get at the request of the Comptroller General, the General Accounting Office itself collects from items considered uncollectible by the responsible officers moneys amounting to about three times the total cost of running the office.



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Employees Got Their Share

By RUSSELL L. GREENMAN

Of the Department of Manufacture, U. S. Chamber of Commerce

THOSE who use figures to prove a disputed point face two dangers. First, the figures may be inaccurate. Second, they may be wrongly interpreted. Apparently both these mistakes were made in preparing a recent report which was supposed to prove that returns of capital had increased during the depression while returns of labor were falling. The frequency with which this report was quoted indicates wide interest in this subject. So we give here the correct figures

Not only are the figures used by the NRA inaccurate, but the interpretation placed upon them is grossly misleading.

These are the facts about the NRA report. Data on pay rolls used in computing the estimated decline represent wages paid to manufacturing workers only. These figures are drawn from monthly reports received by the United States Department of Labor from a representative group

CURRENT news columns, Donald Richberg recently observed, reek with propaganda in which fact and falsehood are cleverly interwoven. Considerable propaganda of the kind to which Mr. Richberg objects has had its origin in government agencies.

Fragmentary data on wages, dividends and interest, published by the NRA Research and Planning Division, have been interpreted to indicate that investors have been reaping huge profits at the expense of wage earners. Specifically, a report presented as a "compendium of relevant information without statement of implication or conclusion" declares:

Although pay rolls in December, 1934, were only about 60 per cent of the total in 1926, dividends and interest were 150 per cent of their total in 1926. In short, the income enjoyed by those who received dividends and interest was 50 per cent higher than in 1926, even though the national income has declined nearly 40 per cent since that date and volume of production has declined by one-third.

Francis Biddle, Chairman, Labor Relations Board, speaking before the Senate Committee on Education and Labor, said:

"I am urging these figures to show that the machinery of codes, though establishing certain minimum wage requirements and largely eliminating child labor, has not yet effected any real distribution of income. If collective bargaining may be effective

for such purpose, by all means let us attempt it."

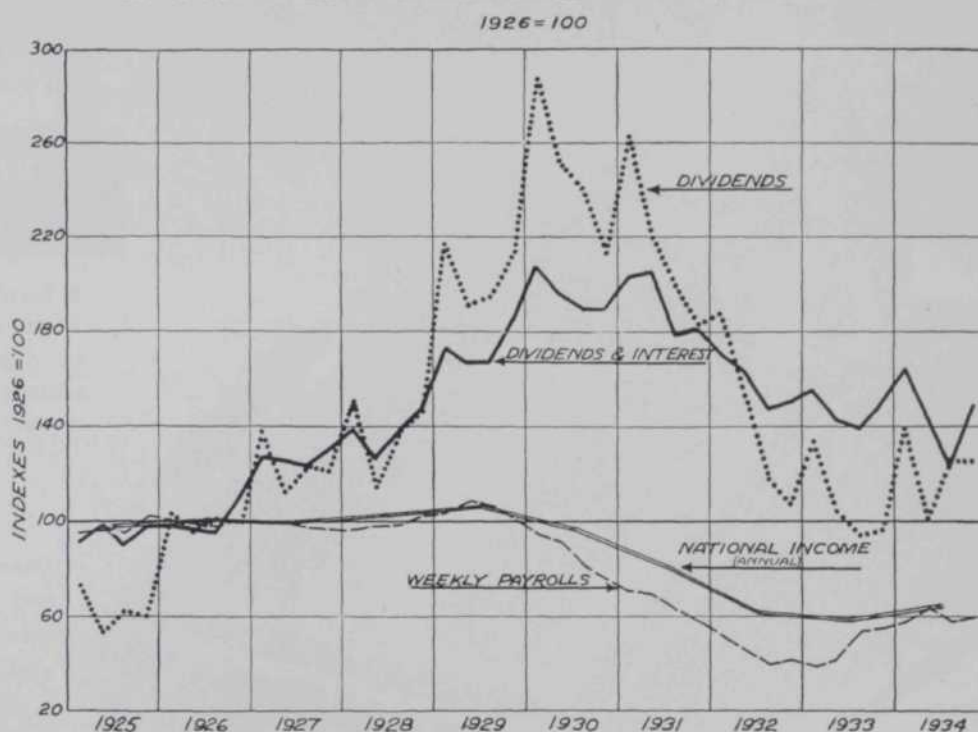
Senator Wagner, supporting the labor relations bill, quoted figures from the same report and concluded:

"Again we find a tremendous disparity between wages and return upon investment."

These conclusions are unjustified.

of establishments which, in 1934, employed slightly more than one-half of manufacturing wage earners. They cover less than ten per cent of the estimated total number of persons engaged in all gainful occupations at the close of 1934. Moreover, the decline in volume of business and in pay rolls in the course of the depression

TOTAL DIVIDEND AND INTEREST PAYMENTS COMPARED WITH PAYROLLS AND NATIONAL INCOME, 1925-1934



The Chart which started the argument—No. 17 in the report published by the NRA Research and Planning Division. It was later withdrawn

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was relatively more severe for manufacturing than for many other major fields.

But the most palpable misrepresentation occurs in the use of the figures representing dividend and interest payments. Total dividend payments, the NRA report shows, were 25.1 per cent higher for the last quarter of 1934 than for the 1926 average, while the combined total of dividend and interest payments increased 48.9 per cent. If the data on dividends and interest were even roughly comparable to the data on pay rolls, there would be some basis for the implication that workers had been exploited for the benefit of investors.

The NRA statistics on dividend and interest payments were computed from monthly summaries compiled by the *New York Journal of Commerce* and published regularly in that periodical and in a bulletin of the Standard Statistics Company. The publishers have repeatedly pointed out that these summaries are not comparable from month to month or from year to year. The editor of the *Journal of Commerce* has this to say:

The monthly series of dividend and interest payments has been revised radically on two occasions between 1926 and 1934. Furthermore, these statistics are not presented as complete and comparable totals covering such disbursements monthly over a period of years. Rather, they include only such disbursements as are publicly announced, of which this paper can learn.

The past ten years have witnessed a marked expansion in corporate financial publicity, and many enterprises now make public their dividend payments which did not do so a decade ago. Furthermore, a large number of enterprises formerly privately owned now have resorted to public financing, and so have reason to publish their dividend an-

nouncements. Since a larger proportion of all corporations now announce dividend payments, the total of such disbursements as compiled by this newspaper tends to rise, although the actual aggregate of such disbursements may decline materially.

The necessary limitations of this statistical series have constantly been called to the attention of readers, and others who inquire about them. There can be no excuse, therefore, for the crude and inexcusable way in which the Recovery Administration diverted statistics, prepared for one special purpose and subject to limitations that have been constantly emphasized, to an entirely different use. These statistics were never presented as an absolute index of the total of all such payments, and cannot be used for this purpose.

Statistics that aren't comparable

THE Standard Statistics Company has clearly stated that the series represents a varying number of reporting companies and that a new series, which began in May, 1934, is not comparable with the earlier series.

Manifestly, any attempt to use different sets of figures on dividend payments, each set representing a varying number of companies, to demonstrate absolute changes in dividend disbursements over a period of time is indefensible.

But there are even greater elements of statistical distortion in the NRA report. The figures on dividends obviously relate only to payments made by larger companies, rather than by all business enterprises. Moreover, they include concerns in diverse fields of business, some of which have experienced relatively slight changes in volume during the depression. As the pay roll data used in the report relate exclusively to manufacturing, no valid comparison

can be drawn between them and the figures on returns to investors.

But the NRA report includes a still more grotesque departure from proper methods of statistical analysis. It purports to show some relation between wages in manufacturing concerns and interest payments on government obligations. The calculations of interest payments upon which the NRA indices are based include not only interest on corporate securities, but interest on bonds issued by the Federal Government and by states, municipalities, and foreign governments as well. Thus the figure representing estimated total interest disbursements for December, 1934, aggregating \$379,000,000, includes payments by the Federal Government amounting to \$145,000,000; payments on state and municipal obligations amounting to \$54,000,000; payments on foreign issues of \$37,000,000; on railroad obligations of \$34,000,000; on utilities of \$31,000,000. The balance, representing interest on industrial and miscellaneous corporate bonds, is only \$78,000,000.

Hence, it appears that, of the total interest payments considered by the NRA at least by implication to have affected adversely the amount of pay rolls, not more than 20 per cent is accounted for by the same classes of concerns as those to which the pay roll data relate.

The NRA report was published in February. Immediately periodicals and newspapers gave it wide circulation. Editorial protests were promptly made. Thereupon attempts were made to withdraw the report from further circulation and the director of the NRA Research and Plan-

(Continued on page 50)

INCOME PAID OUT, BY TYPES OF PAYMENT

(From Survey of Current Business, January, 1935, U. S. Department of Commerce)

TYPE OF PAYMENT	Millions of dollars					Percentage of 1929			
	1929	1930	1931	1932	1933	1930	1931	1932	1933
Total income paid out	82,300	75,800	63,300	49,700	46,800	92	77	60	57
Total labor income	52,700	48,400	40,700	31,500	29,300	92	77	60	56
Salaries (selected industries) ¹	4,800	4,800	4,000	2,800	2,400	100	83	58	50
Wages (selected industries) ¹	15,000	12,400	9,200	6,000	6,100	83	61	40	41
Salaries and wages (all other industries)	32,000	30,200	26,500	21,700	19,900	94	83	68	62
Total dividends and interest.	11,400	11,400	9,700	8,100	7,300	100	85	71	64
Dividends	5,900	5,800	4,300	2,800	2,100	98	73	48	36
Interest	5,500	5,600	5,400	5,300	5,200	102	98	96	95
Net rents and royalties	4,400	3,700	3,100	2,400	2,300	84	71	55	52
Entrepreneurial withdrawals	13,800	12,300	9,800	7,700	7,900	89	71	56	57

¹Includes mining, manufacturing, construction, steam railroads, Pullman, railway express, and water transportation.

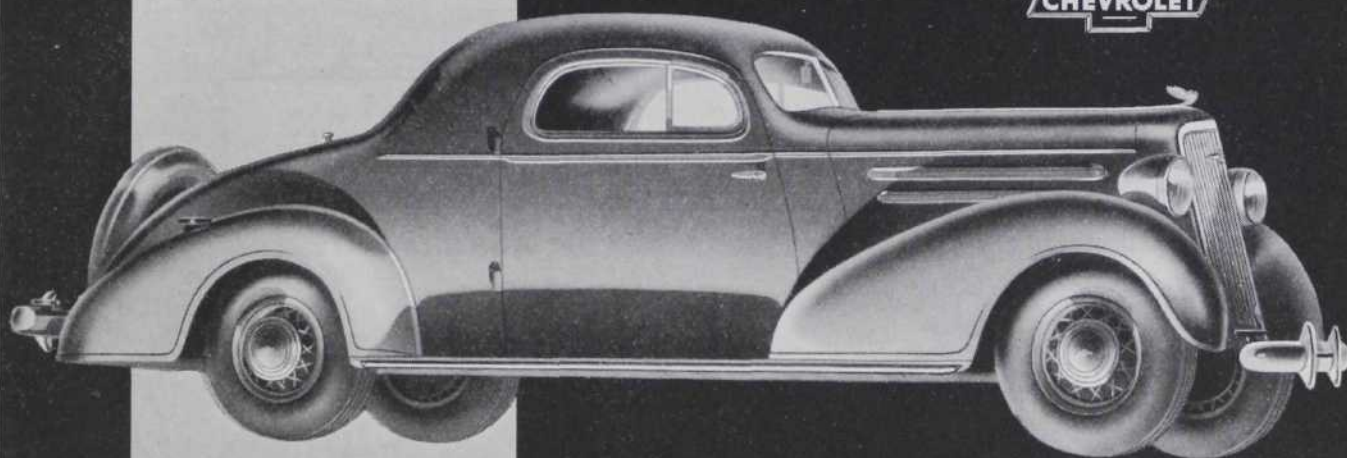
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Reviving Foreign Markets

By JOHN P. GREGG

Foreign Trade Counsellor

BY SIMPLE amendment to the Tariff Act of 1930, Congress has revised the whole procedure of tariff-making. The effects of this change and its probable influence on business recovery are explained here

FOR MORE than a hundred years tariff revision has been the business of Congress exclusively. Since the woolen manufacturers prevailed on the national legislature in 1816 to protect their products from British competition, that body has jealously guarded its right to fix the duties on imports. Every five years—about—the farmer and the manufacturer, the importer and the merchant have come to Washington to tell their troubles to the Ways and Means Committee of the House or the Finance Committee of the Senate, and to ask for relief from foreign competition, or from tariff rates that raised the prices of what they buy.

They have written and telegraphed their representatives in Congress, have crowded the Committee rooms, have thronged the corridors of the Capitol.

All that has been drastically changed. Last June Congress surrendered to the President the greater part of its power to alter the tariff. The manufacturer of bed springs and the grower of lemons no longer tell their story to the Ways and Means Committee. Instead they submit the facts to a Government agency—the Committee for Reciprocity Information—designated by the President to act for him in getting this data together. In theory at least, the tariff is out of politics.

The new tariff will carry no name to identify it, as did the Dingley Bill, the Payne-Aldrich Tariff, the Fordney-McCumber Act. By a simple amendment to the Tariff Act of 1930 Congress granted the President the widest powers ever given to an American Chief Executive in connection with commercial relations with other countries. Under the law he may reduce—or increase—tariffs as much as 50 per

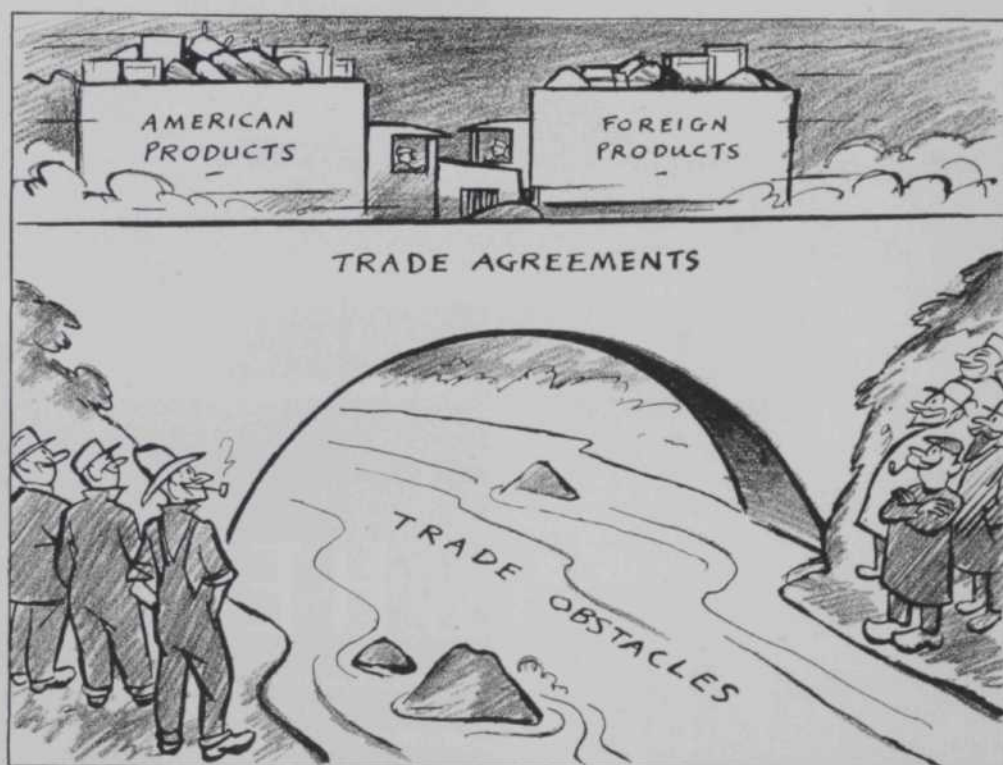
cent; he may fix import quotas—as appears in the Cuban agreement—or change customs regulations, all through trade agreement with another country and subsequent announcement, without ratification by the Senate.

Broad as the powers granted may be, however, Congress has handed the President no blank check. The legislation definitely limits what he can do. The President's powers terminate in three years from the date of enactment, nor can any agreement be made that is not terminable at the end of three years or upon six months' notice thereafter. Dutiable

articles, like copper or cotton cloth, cannot be placed on the free list; nor can rubber, coffee or any commodity now on the free list be subjected to duty. No matter how high the American tariff on an article, no agreement may lower it by more than 50 per cent. Nor

can the President, under authority of this legislation, reduce or cancel by one cent the war debts or the obligations of any foreign country to the United States.

Three trade agreements have been signed—with Cuba, Brazil and Belgium. American tariffs have been reduced or other concessions made on nearly a hundred commodities in return for like concessions to American trade in the three markets concerned. Negotiations have been announced and hearings held for similar agreements with 12 other countries. Discussions with many of the states of Central and South America,



Reciprocal trade agreements, opening the way to renewed international trade, promise to be a long step toward recovery

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A partial list of its uses is shown at the right. Addressograph easily pays for itself in *any one* of these jobs . . . doubtless your business can use it in *several* ways. Our representative, who is constantly in your vicinity, will be glad to talk over the profitable use of new-day methods and this indispensable office device in your business. Consult your phone book, or write to

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ADDRESSOGRAPH DOES THE
WORK 10 TO 50 TIMES FASTERFROM A COMPLETE TYPING UNIT
IT PRINTS:

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work tickets ✓ names, rates and deduc-
tions on pay roll sheets ✓ names, num-
bers, dates and amounts on pay checks
✓ information on pay envelopes ✓ cus-
tomers' names, addresses and dates on
bills and ledger pages ✓ addresses on
direct mail advertising ✓ instructions
on production orders and schedule
cards ✓ data on tabulating cards—
items and operations on cost sheets—
data on many other factory forms ✓
dealers' names and addresses on sales
helps ✓ names, addresses and saluta-
tions on sales and collection letters ✓
names and addresses on announce-
ments, price lists and bulletins ✓ stock
items on inventory sheets and assembly
requisitions ✓ names and addresses on
shipping tags and labels ✓ short mes-
sages on post cards and package inserts.

with Canada and Italy, with Sweden, Spain and Switzerland, are contemplated or under way.

Analysis of the program as it develops makes it clear that a wide revision of the whole American tariff structure is under way. A tariff concession to one country must automatically be extended to all other countries—unless they discriminate against the United States. Thus the tariff on Portland cement—reduced by the agreement with Belgium from six to four and one-half cents a 100 pounds—becomes the rate for all imports of cement, and an integral part of the tariff structure. With the tariff on nearly a hundred items changed in three agreements, simple arithmetic reveals the scope of the revision involved in arrangements with 60 countries.

What purpose or necessity required such a radical surrender by Congress of its tariff-making powers? Why the change in method of making agreements with other nations? Are business and agriculture at the mercy of the Government agencies that conduct these negotiations?

Hard times hurt foreign trade

THE answer to these questions can be found in the foreign trade statistics since 1929. The loss of foreign markets for American cotton, wheat, meat products, fruit, automobiles, machine tools and a long list of manufactures is a familiar story to American agriculture and business. Our products and those of all countries lie in the warehouses and factories, unable to move overseas in the face of the havoc caused by the depression.

The years since 1929 have brought great changes, too, in commercial treaty relations among the nations. Low tariff countries, such as England and Belgium, have erected numerous barriers to imports—high tariffs, import quotas, and drastic customs regulations. Eighty to 90 per cent of the world's trade is done by nations with depreciated and shifting currencies. Joint effort to help this condition has failed—witness the London Monetary Conference of 1933.

Impelled by necessity, nations have abandoned collective effort, and have made bargains between each other, trading concession for concession, a piecemeal arrangement that is slowly restoring the currents of trade. The United States could do no differently. Access to other markets is denied us without concession on our part. On the other hand, to reduce the American tariff without better markets for our products in

exchange is a brand of altruism too costly, in these times, for any nation to undertake.

The power to complete these agreements is, in most countries, vested in the Executive. Immediate action by Executive authority on our part thus was imperative.

Congress granted the power to make reciprocal trade agreements to the President. The actual negotiations with foreign countries are in the hands of the Secretary of State. The preparation for those negotiations, the careful assembly of data and recommendations on the basis of which the bargains are made, lies with the experts in all the government departments concerned. The personnel of the Departments of Agriculture, the Treasury, the NRA, Commerce, the Tariff Commission, the office of the Foreign Trade Adviser, in addition to the State Department, are drawn upon to assist the President. Separate staff committees are selected for each country under consideration. The whole technical and statistical resources of the Government are at the disposal of the negotiating agencies, the President having the final word.

As part of the legislation, Congress granted business interests the right to be heard. The farmer or manufacturer interested in protecting his domestic market from foreign competition may submit his facts with respect to each agreement to be negotiated to the President or his representative either in writing or orally just as he once presented them to the Ways and Means Committee.

For the first time, however, the exporter has a voice in tariff questions. The farm group or the manufacturer interested in enlarging foreign markets may tell their troubles to the Government with some hope that, in the bargain to be made, the foreign tariff on their product may be reduced.

The American negotiators welcome this information. The practical problems of business groups in selling their goods abroad can get consideration only when the Government knows what these difficulties are. In what product is the manufacturer interested? What is the particular restriction to his trade with Belgium, for example, that he wants removed or modified? If the duty is excessive, what percentage reduction is required? Chewing gum has been classed in the Polish tariff as a cosmetic at a duty of nearly 50 per cent *ad valorem*, instead of a sweet at 25 per cent. Is a separate or changed classification in the foreign tariff for duty purposes advanta-

geous? Analysis of the agreements already completed reveals encouraging evidence of the American Government's ability at "Yankee trading."

Let's look at the result of the Cuban agreement. The average of the last four months' trade in 1932 and 1933 in those agricultural products in which principal concessions were accorded by Cuba to this country was \$1,883,000. In the same period in 1934, after the agreement was reached in August, this trade was practically doubled. The trade in the 125 non-agricultural products exported by the United States to Cuba in the same four months of 1932 and 1933 totalled \$1,617,000. In the same period in 1934 it was \$4,616,000.

The peach growers in the South and on the West Coast gained more than four times in exports of canned peaches to Cuba in the last four months of 1934. Other canned and dried fruits showed comparable gains. Sales of casings for automobile tires more than doubled, as did shipments of cotton yarn.

Cuba likewise gained. Sugar, our principal import from Cuba, showed an average of \$13,300,000 during the two four-month periods from September to December in 1932 and in 1933. In the same four months of 1934, it was \$45,220,000. Tomatoes, grapefruit and cigar leaf also showed substantial increase over previous recent years.

Concessions on both sides

THE Brazilian Agreement involved fewer changes. The principal item from the Brazilian point of view was our action in retaining coffee, Brazil's principal export to this country, on the free list. The United States also made concessions to Brazil on manganese ore, Brazil nuts, castor beans, and other minor products. In return, Brazil reduced her tariffs on radio sets and parts, automobiles and tires, various canned foods, flash-light batteries, electrical refrigerators, and other articles—the average reduction ranging from 20 to 67 per cent of the present duties.

The agreement with Belgium was signed February 27. Belgium is our ninth best market and sales to that country in 1934 totalled nearly \$50,000,000.

The agreement assumes exceptional significance as the first bargain made with a European nation. As a result of it more than 30 per cent of our exports to Belgium benefit. Duty reductions by Belgium to American exports range from 13 to 80 per cent.

But this does not tell the whole story. The most important market



"You're dang tootin

THAR'S GOLD IN THEM THAR HILLS!"



Scores of hard-digging manufacturers have abandoned hopeless "claims" in the form of poorly located, inefficiently equipped, high-cost plants and are staking themselves to a bigger share of returning prosperity by locating in "low cost" Chesapeake and Ohio Land.

Chesapeake and Ohio Land is unique in manufacturing advantages. Golden opportunities await you. It has many convenient sources of important raw materials. Fuel and power costs are low. Gas and oil are readily available. American-born labor is plentiful. Taxes are low.

And 70% of your national market is within 48 hours distance from your shipping platform.

Dependable "on time" transportation is assured by the finest railroad service to be had in any industrial section. Chesapeake and Ohio reaches into every important community in this great industrial territory.

Investigate "low cost" Chesapeake and Ohio Land now! Write George D. Moffett, Industrial Commissioner, Huntington, W. Va., for complete information.



George Washington's Railroad
CHESAPEAKE and OHIO
Lines

Original Predecessor Company Founded

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...YOU ADD DETEX PROTECTION



*Check on
possibilities of
savings by Watch-
men's Clocks.*

A DETEX Watchclock System is just an extension of your fire insurance. Insurance companies recognize this fact by granting lower rates on property patrolled by watchmen, properly checked by an approved system.

INSURANCE is, of course, the first answer to property protection. Insurance protects physical values. Insurance will restore dollar value, but does not recover the time, the records, the established methods and the thousand and one other intangible things that are acquired by a business in the course of becoming a going concern. Fire always means loss.

A DETEX Watchclock System tells you how faithfully the watchman is guarding the plant... insuring you against loss.

Detex Watchmen's Clocks are fully approved by Underwriters Laboratories, Inc., and Factory Mutuals Laboratory.

Write for any desired information.

DETEX WATCHCLOCK CORPORATION

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80 Varick St., N.Y. Room 800, 116 Marietta St., Atlanta

NB-5



WATCHMEN'S CLOCKS

NEWMAN * ECO * ALERT * PATROL

for American linseed oil cake is Belgium. On that commodity, the import quota was removed and the license tax reduced 25 per cent. Import quotas on meat have been increased from 25,000 kilograms to more than a million. The new import quota on lard gives an allocation of 3,207,000 kilos. These concessions are of real significance to the American farmer. A 50 per cent reduction in the rate on radio tubes, an 80 per cent tariff reduction on certain automobile parts are examples of benefits gained by industry. Low-priced automobiles which weigh between 1,100 and 1,600 kilograms can now enter Belgium at a duty rate of 9.35 francs per kilo as against 9.5 francs paid by competing European cars.

American concessions to Belgium, on the other hand, affect a total of but \$6,000,000 in imports from that country—in 1934 figures—or less than one-fourth of our entire value of imports from Belgium in that year. The average reduction granted on some 47 products on a weighted average works out at 24 per cent compared to an average reduction of more than 35 per cent granted by Belgium to American products.

Exchange agreements are important

IN EACH of the trade agreements so far announced, the governments have incorporated paragraphs concerning exchange. The Cuban arrangement freezes the position existing on April 1, 1934; a protection to American commercial and financial interests. Brazil agrees not only to give the United States as favorable treatment as to any other nation, but undertakes to find dollar exchange for blocked balances or other obligations now due and unpaid. The Belgian arrangement provides for modification or termination of the agreement—on six months' notice—in case a wide variation occurs in the exchange rates between the currencies of the two countries.

Agriculture and industry have received a painful lesson since 1929 on what happens when we lose our foreign trade. The conclusion to which a great many of our business men and farmers have come is well put in a recent statement by James D. Mooney, President of General Motors Export Company:

The reciprocal trade agreements with foreign nations which are now being negotiated by the State Department are of great importance, naturally, to the American industrialist who is interested directly in the business of exporting or importing. They are, however, of even greater importance to the industrialist whose concern is primarily with our own domestic market. This is true because industry's widest market here at home is in the agricultural areas and because the

agricultural areas will never be prosperous unless the farmer, and the cotton planter, and the tobacco grower find an outlet for their surpluses abroad. It is in developing these foreign outlets for the American agriculturist that the trade agreement program will be doing by far its greatest service to the American industrialist.

The program which Secretary of State Hull is so courageously carrying forward, based as it is on the most-favored-nation principle, deserves the heartiest and most enthusiastic support that agriculture and industry can give it. It is of the highest importance to the whole effort the President is making toward recovery.

As the details of the agreements themselves are made public, it becomes increasingly evident that concessions made, compared to advantage gained, show a balance in favor of American business and agriculture. The automotive trades, fruit exporters, typewriter manufacturers, producers of meat products, are making available to the Government's experts detailed information as to their troubles in foreign markets, and the benefits are apparent in the completed agreements. Some groups have protested against specific concessions but analysis of these protests reveals little real opposition to the program; nor do the agreements so far announced disclose any substantial basis for fears as to foreign competition of a drastic character.

Recognition that the need for foreign markets for the products of Texas, New York, Ohio and Michigan is bound up with a prosperous market for domestic production leads to acceptance of the program. Its success means a long step toward world recovery.

Elgin Centennial

CELEBRATING the city's one-hundredth anniversary, Elgin, Ill., is planning a six weeks' celebration in which all phases of community life will be represented.

The observance opens May 6 with the second annual Elgin Industries Week. The 70 Elgin industries will take part in this demonstration in the course of which the Elgin Industries Dinner will be held. Foreign consuls, government officials and business leaders will attend.

Other special programs scheduled in the course of the observance include Pioneer Day, Youth Day, Farmers Day, and Soldiers and Sailors Day. The celebration will end with a homecoming and historical pageant the week of June 16.

The observance is under the auspices of the Elgin Association of Commerce.



"\$905 SAVED ON TRUCK TIRE REPAIRS"

SAYS MR. M. J. HANNON

President, HANNON TRANSPORTATION LINES
Pittsburgh, Pennsylvania

SEE HOW NEW TRIPLE PROTECTED SILVERTOWNS REDUCE DELAYS—CUT REPAIR BILLS

"I operate a large fleet of trucks on very rigid delivery schedules," says M. J. Hannon, President of the Hannon Transportation Lines. "Delays cost us money. That's why it means so much to me to be able to say I have not had one premature tire failure since using Triple Protected Silvertowns. Furthermore, we saved \$905.80 on truck tire repairs, thanks to Goodrich."

That's the kind of service truckers everywhere are reporting.

No job is too tough—no haul too long for these new Silvertowns. Because a *revolutionary invention*, Triple Protection, adds months to the life of every tire.

Wouldn't you like to put an end to sidewall failures? To keep your deliveries on time? To travel your trucks faster with safety? Hundreds of operators tell us

that they are getting just such results with Triple Protected tires!


It's easy to see why. Look at the facts! Eighty per cent of premature failures occur in the sidewall—the "Failure Zone." And Goodrich gives you the only tire that has Triple Protection at that point. Here is the story of this 3-way safeguard:

1 PLYFLEX—a new, tough, sturdy rubber material with greater resistance to stretch. A layer of Plyflex in the sidewall prevents ply separation—distributes stresses—checks local weakness.

2 PLYLOCK—the new Goodrich way of locking the plies about the bead. Anchoring them in place. Positive protection against the short plies tearing loose above the bead.

3 100% FULL-FLOATING CORD—Each cord is surrounded by rubber. With ordinary cross-woven fabric, when the cords touch each other, they rub—get hot—break. In Silvertowns, there are no cross cords. No friction.

You don't pay one red cent extra for Triple Protected Silvertowns!



**80% of Premature
Truck Tire Failures
Occur in the Sidewall
—the "Failure Zone"**



**Only GOODRICH
Offers This 3-Way
Sidewall Protection—
1. Plyflex 2. Ply-lock
3. Full Floating Cord**

FREE! TRUCKERS' HANDBOOK

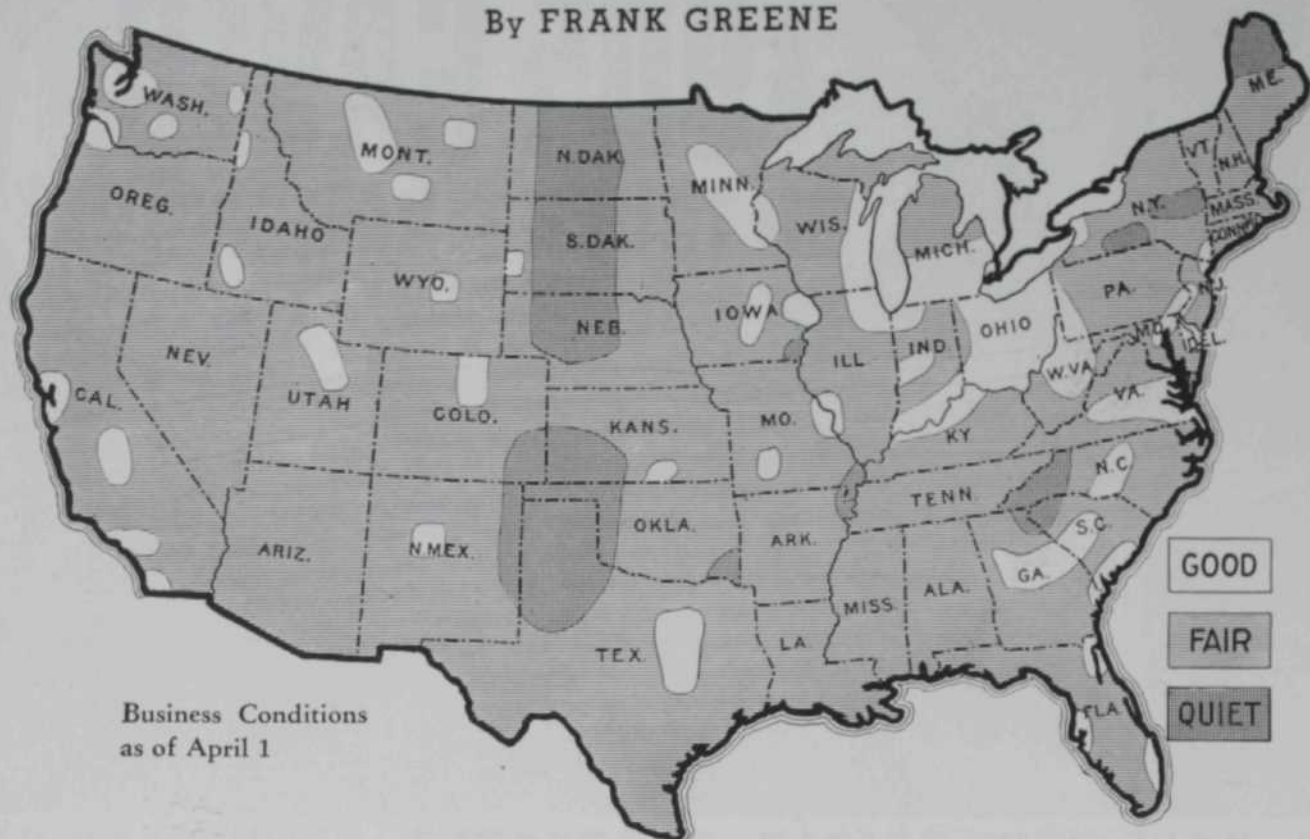
Every trucker, every driver should have this big 44-page book. Gives commodity weights, load schedules, tire and truck data. Write for free copy. Dept., T-31, The B. F. Goodrich Co., Akron, Ohio.

Goodrich *Triple Protected* Silvertowns

SPECIFY THESE NEW SILVERTOWN TIRES FOR TRUCKS AND BUSES

The Map of the Nation's Business

By FRANK GREENE



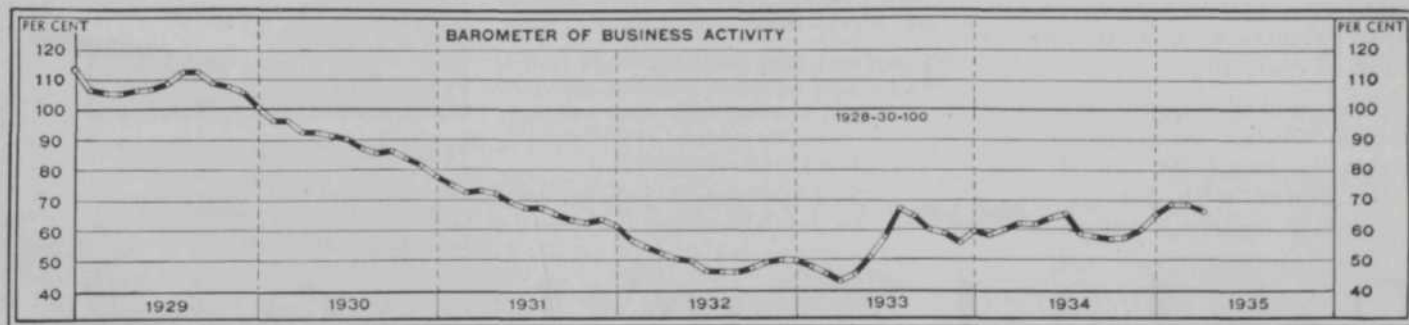
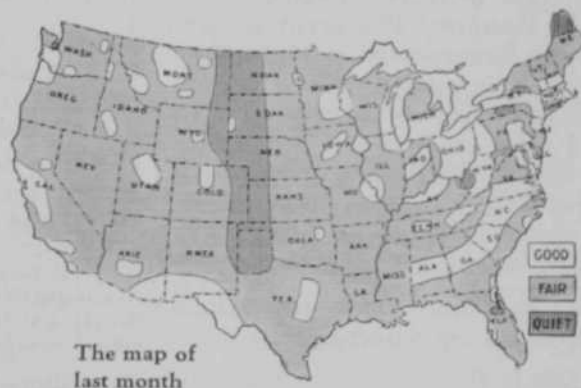
MARCH had its full share of unsettlement in business and industry. Recessions were slight but the failure to advance sharpened the disappointment with the month's results.

Outstanding interest clustered about prices. A sharp break in cotton affected other commodity and security markets and revived memories of past government price regulation. Reduced running time in cotton mills followed the decline in cotton and that product also lagged in export trade, with a 40 per cent drop for the season and reports of new rivals in foreign countries.

Automobile output for the last week of March was the largest since 1930. Farm implement buying and tin plate manufacturing aided steel production which, however, tapered off. Dust storms in the West were the most severe recorded but better moisture conditions in the Mississippi Valley and eastward offset this.

March business failures, as reported by Dun & Bradstreet, Inc., were the lightest for that month since 1920.

Changes in the Map mainly reflect less activity in textile lines, floods in Arkansas and a clearer delimitation of the dust storm trouble



BASED ON INFORMATION SUPPLIED BY DUN & BRADSTREET, INC.

Lessened steel production, reduced carloadings and sagging prices register in the Barometer, offsetting the gains in electric power and bank clearings



MONEY- MAGIC

for the Cinderellas of today -

SHE HAD YOUTH, beauty, and a wistful hunger for life. But her wealthy stepsisters got all the breaks. They wore the good clothes, ate the fine food, lived in idle ease. Cinderella did the hard work and took what little joy came her way.

Magic changed her life—dressed her up and sent her to the ball. In the end, she found the fulfillment of her dreams... she got her man.

Millions of American families are Cinderellas, dreaming of comforts and pleasures seemingly far beyond their grasp, when as a matter of fact there is a magic way of escape from their drab ashes.

Instalment buying was once relatively small in scope. The coming of the automobile gave rise to a new conception of its potential economic value to the nation. The perfection of the radio, oil and gas burners, refrigerators and other modern appliances, tremendously increased its importance in the American industrial scheme.

From the once little local instalment plan has been developed the great time payment financing system—a magic wand that has

put labor-saving necessities and health-promoting comforts into millions of American homes... brought color and happiness to millions of families, as it can for you.

☆ ☆ ☆

Merchants who sell and individuals who buy on the time payment plan must make sure that *the company back of the system* has a history of integrity and fair-dealing, and ample resources.

Commercial Credit Company was founded in 1912 with \$300,000 capital. Today its companies employ 1800 people and more than \$41,000,000 of capital and surplus. It financed nearly \$400,000,000 of sales last year. Its charge for service is moderate. It carefully supervises collections to protect both buyer and seller from any loss.

Its ever-increasing operations have played a major part in opening vast markets for American manufacturers, stepping up production, decreasing costs and selling prices, making jobs for millions of workers. Without such a financing service, American industry would move at a snail's pace—labor would be a drug on the market.

☆ ☆ ☆

How Commercial Credit Company Serves Buyer and Seller

Commercial Credit Company purchases current open accounts receivable, notes, and instalment lien obligations from responsible Manufacturers, Distributors and Dealers. Financing plans are provided to cover the time payment sale of automobiles, refrigerators, oil burners, machinery and equipment, air conditioning units, heating plants, store and office fixtures, boats and a score of other such broad classifications, including hundreds of individual products. The service is national in scope, yet completely local through one hundred and forty-two offices located in the principal cities of the United States and Canada.

COMMERCIAL CREDIT COMPANY

COMMERCIAL BANKERS

CONSOLIDATED CAPITAL



Headquarters BALTIMORE

AND SURPLUS \$41,000,000

Wherever You Are • Whatever You Make, Sell or Buy • Use Commercial Credit Service

The Real Forgotten Man

By HARRY BOTSFORD

BORN of political necessity, the Forgotten Man is now probably wandering, lost in the maze of governmental alphabetic agencies and bureaus.

Alert observers of the current situation advance a reasonable doubt as to whether this political puppet ever did exist. There still remains, however, the real Forgotten Man; and he is growing so steadily in numbers that his importance cannot be underestimated.

The Forgotten Man! The inactive customers, to be exact! His name is legion. You will find him, multiplied a hundred or a thousand times, as a name and an address in the files of every business concern. At one time he was a valued and profitable customer. Today his name is carried as a doubtful and inert asset.

What has happened? Has the Forgotten Man had an attack of aphasia? Possibly! Yet it scarcely seems reasonable to assume that he is a victim of an epidemic.

The real job of forgetting, in most instances, has been done by the organization with whom he once did business. The process of forgetting has been casual and almost criminal in many aspects.

Why blame the Forgotten Man? Why expect him to remember when the selling agency forgot?

Not mind-readers

A FIRM manufacturing oil field equipment was approached with a proposition to sponsor an advertising campaign designed to reach and influence former customers. The project was turned down with the curt remark that, once a user, a customer remained loyal. Within three weeks, one of the former customers of this company placed an order with a competitor. Not a large order; about \$3,800 to be exact. In a frantic and tardy scramble to find out why the order was lost the salesman was told that the order was placed with the

competitor because an improved product was offered.

"Our product, too, is improved," the salesman retorted.

"Maybe so," replied that one-time customer. "But you didn't tell us about it! We are not mind-readers, you know."

That particular sale, I suspect, is being multiplied many times. Customers do forget but they resent being forgotten!

Old customers require less selling

TODAY there is a scramble after new customers. Your customers and your one-time customers are the other fellow's prospects. He's working his head off to make a prospect into a customer. On the other hand, you are probably trying to grab off his customers.

Engineers have an axiom that might properly be applied to the busi-

ness of selling. As I remember it, the axiom states that it takes six times as much energy to start a fly wheel as to keep it in motion once the initial inertia is overcome. Proportionately, I believe this may apply to selling.

Once a customer is secured it should be much easier to hold that customer than it would be to create or find a new customer.

What has happened to your old customer? Is he still in business? What are his immediate requirements? Even if his purchasing power has been sharply retracted, isn't his business worth holding and going after?

Pertinent questions, these! Successful merchants, prosperous manufacturers are finding the answers to these questions and turning those answers into profits. In many instances it has meant a complete revision of mailing lists.

One firm that makes a specialty of supplying mailing lists is authority for the statement that at least 50 per cent changes are experienced by their compilation department each year.

Found new market

ONE firm that specialized in the manufacture of a certain sized piece of machinery made a thorough survey of the requirements of its inactive customers and found a ready and profitable market for smaller and cheaper units.

Another concern making a similar investigation uncovered feuds between customer and vendor that were slowly but surely smoothed over.

Your best customer isn't necessarily the individual who has never done business with you. He may be a Forgotten Man who was once listed as a steady and profitable purchaser of your goods.

Dig into your files. Find the answer to questions. Thar's gold in them thar files!

Plea for Purity

WHEN you buy a side of bacon,
Strict precautions have been taken
By the Government to see that it is pure.
For cosmetics and confections,
Bonds and bridges, we've inspections
That the public's health and purse may rest secure.

Movies cannot give offense or
They'll be butchered by the censor,
Every doctor proves he's fit to peddle pills.
But no bureau or commission
Asks for proof of erudition
From the man who'd cure our economic ills.

Any man can mount a rostrum
And prescribe an untried nostrum
Which will guarantee fulfillment of our dreams.
And he need not call a witness,
No one challenges his fitness
To be dabbling in our economic schemes.

Any Harry, Dick or Thomas
Can betray us with a promise
And demand a trial for measures they endorse—
This same Tom, or Dick or Harry
Could not be a veterinary
Since you have to qualify to heal a horse.

Careful guardians protect us
From the untrue stock prospectus;
Most deceptions have been stripped of camouflage;
But it still is *caveat emptor*
When we're dealing with the tempter
Who would sell us a Utopian mirage.

—PAUL MCCREA

New Ideas in Selling

Observations on a few current developments relating to sales and selling

Promotion letters and circulars need be neither expensive nor expansive to get results, in the opinion of Walter Mann (Walter Mann & Staff, New York, merchandising, publishers' counsel, etc.). Really essential elements are a dash of ingenuity and a sprinkling of originality. He illustrates his point by citing a series of three letters which pulled extraordinary results for his organization on the basis of their simple, inexpensive ways of gaining attention.

One was the "oats" letter, titled "Horses! Horses!", and addressed to publishers. The attention-gainer here was a small transparent packet of oat grains clipped to the letter. The opening paragraph told the story of the man who figured he could save money on horse feed by shortening his horse's rations one "oat" at a time.

Then there was the "Chanticleer" letter, to which was pasted a colored feather, and the "Izaak Walton" letter which showed a disdainful fish nosing a glued-on square of red flannel "bait," pendent from a rod and line.

"What do you think of the angler who tries to force his bait preferences on the fish?" the latter letter inquired. "Yet isn't this exactly what happens when an advertiser refuses to run an advertisement simply because he doesn't happen to like that ad himself? Or runs one simply because he and his associates happen to like it?"

Circulars, too, can get themselves read if they be but readable, he holds, and cites one that proved effective. Titled "Impromptu Apple Merchants," it speaks for itself:

"Here's a true story—told me firsthand by one of the participants.

"A story that throws a ray or two of light through the dense gloom that seems to pervade these lethargic days, in which many a man who ought to know better—finds himself an impromptu apple merchant.

"Picture three men with about three dollars between them—sitting on a park bench in overcrowded, underjobbed, opportunity-filled New York City.

"One man had just learned that all the money he had (except the loose change in his pockets) had vanished in a bank crash. Another—the composer of a popular cheer-up song of the previous decade was almost penniless. The third was just a jobless man with a couple of dollars and a pair of leather lungs.

"Certainly no great future ahead for this trio, normally—what? But these men had four other vital assets which few people take the trouble to list in this world of financial measurement—i.e.:

"Imagination.

"A sense of humor.

"Willingness to try anything once.

"Courage born of desperation.

"Concentrating all these assets on a chance humorous remark about rubber checks, made by the first man in connection with the loss of his savings, and

knowing that the average New Yorker likes to laugh, even when the laugh is on himself, they persuaded a printer to run off a thousand checks on small pieces of rubber sheeting. Then all three of them stepped out into the busy streets of New York and hawked the checks at ten cents apiece.

"That was on Saturday morning.

"Sunday afternoon they counted up their assets, and found that they were jointly worth nearly a hundred dollars! They had sold practically every rubber check they had in about 30 hours!

"Starting in with the next Monday they went into business in earnest. Within



J. STERLING GITCHELL, INC.

When hatters flatter sales grow fatter, Knox Hat Company finds. Vehicle of the flattery is a contest to find the head most nearly like that of Apollo Belvedere. Tried out in Cincinnati, it drew 4,000 heads

a week they had several men hawking on the streets of New York and Philadelphia. Now sales of rubber checks are running to thousands daily!

"And all around them—on every street corner—men minus the four above mentioned qualities stand daily—waiting for people to buy their apples.

"There's a true story of this kind in your business—too."

In preparing the advertising budget, it is comparatively simple to forecast costs. When it comes to definite forecasts of results, however, the budgeter faces a complex and difficult task. Yet, on the word of a group of St. Louis advertising executives, it is a task not impossible of accomplishment. Through a system which they have worked out, they assert, advertising and sales figures can be analyzed to uncover certain working principles which may be used in setting up sales goals and predetermining the advertising cost of reaching those goals. The method, they add, has been proved by actual application.

The procedure involves, briefly:

An examination of the sales volumes and advertising pressures of a company in relation to general business over a period of three to five years past, and the establishment of standards based on this average experience.

Determination of the advertising pressures required on this basis during the next 30, 60 or 90 days or a longer period.

Finally, inauguration of an accounting procedure within the business which will give seven-day or 30-day checks on the volume performance of the advertising, so that the initial plan can be altered if required, or varied for different territories, or increased or abandoned as unusual opportunities or obstacles occur. (This prompt detection of changing conditions by periodic audit is an essential of the system—the one thing that makes increased control over volume and cost through sensitive manipulation of the advertising "throttle.")

Authors of the system have answers for many of the questions and objections which skeptics may raise concerning the efficacy of this procedure, but space does not permit their recitation here. It must suffice to state the authors' position—that the system permits all important factors which may influence sales volumes to be compensated for, the remain-

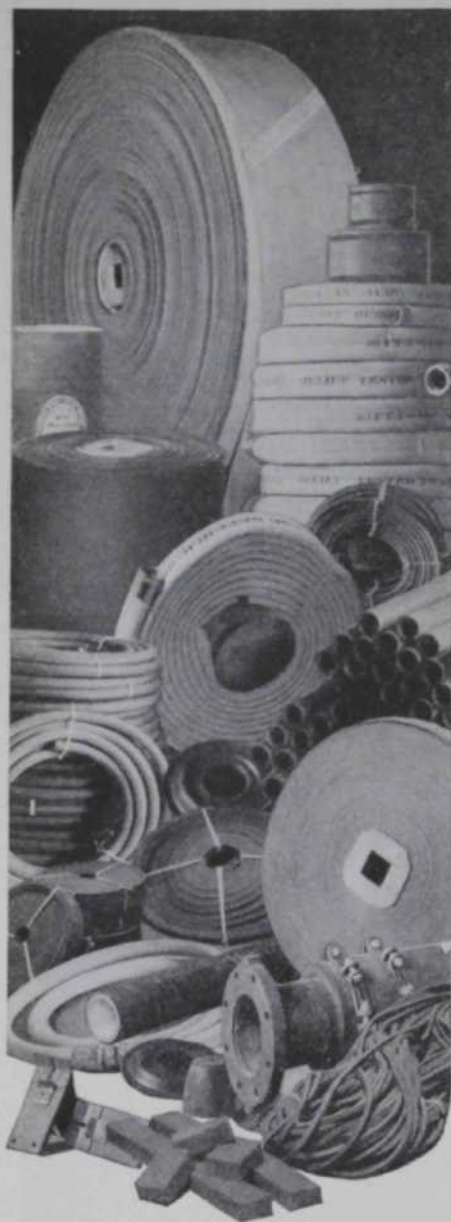
ing figures representing volumes produced, mainly, by advertising.

This system, they hold, offers the business head a means of putting advertising under the same control as other elements of the business; offers the accountant a method of distribution-cost accounting similar to established production-cost accounting; offers the advertising man new precision tools and formulas which can be usefully applied in a hitherto neglected quarter of the advertising field.

Efforts to convince legislators and the public on the merits and evils of past and pending measures are currently reaching new highs.

Newspaper and magazine columns reflect these efforts both in news and advertising spaces and the fine old art of pamphleteering affords further outlet for such printed pleadings.

The Rayburn-Wheeler holding company bill has, of course, provided the meatiest bone of contention. Efforts for and against this measure have been vig-



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ously aggressive, with neither side pulling punches. President Roosevelt's recent indictment of holding companies gained news headlines the country over—the White House having lost none of the acoustical qualities which caused an earlier Roosevelt to term it the national sounding board.

Echoes and answers filled still more news space.

Paid advertising space has been plentifully used by opponents of the bill, but entirely neglected by proponents, if observation serves. These paid advertising efforts have been conducted by individual holding companies and others. Copy examples:

Associated Gas' "The Nation's tax bill in 1934 was about \$9,500,000,000. The Nation's residential electric bill was about \$677,000,000—less than eight per cent of the tax bill. . . . A four per cent reduction in taxes would mean more to the country than a fifty per cent reduction in residential electric rates."

United Gas' quotations from a 1929 article by Tennessee Valley Authority's David Lillenthal in which he cited the "amazing advances . . . so intimately related to the public welfare . . . directly attributable to the efforts of the holding

company." "It still holds true, Uncle Sam," United Gas advised.

TVA has inspired perhaps as much pamphleteering as any other governmental undertaking. Examples are its own pamphlet explaining its program and the handsome rotogravure publication "Toward an Electrified America" issued by its subsidiary, Electric Home and Farm Authority. The other side of the question has been set forth in pamphlets such as the National Coal Association's "The Menace to the Coal Industry of the TVA and Similar Projects" and Appalachian Coals' "Debunking the TVA."

Still other and more recent pamphleteering has been done in behalf of the Administration's social security program, two examples at hand being "What the Economic Security Program Means to You," a prospectus issued by the Committee on Economic Security, and "The Program for Economic Security," printed "as a works project by Citizens' Service Exchange, a Cooperative under the Virginia Emergency Relief Authority." "Relief money is being used to pay for the printing," according to one Washington commentator. "Thus public funds finance propaganda for more public funds." —PAUL H. HAYWARD

Employees Got Their Share

(Continued from page 38)

ning Division issued an explanatory statement in which he said:

The report in which the figures and comparison with 1926 appeared was originally prepared under considerable pressure of time for use within the Government. Later, because it brought together most of the recognized statistical series on economic conditions, it was made available for limited distribution. The dividend and interest series shows actual disbursements in excess of \$6,000,000,000 in 1934, a figure of truly substantial proportions. If its use is decidedly limited, as is indicated by the statement published by the *Journal of Commerce*, the Research and Planning Division will not only refrain from further employment of it except within narrow limits but will endeavor to repair any damage done by its circulation in a government report.

In preparing the material for the report, every effort was made, as indicated, to use only the most complete and most widely accepted information. The limited usefulness of available data in so important a field as dividends and interest payments clearly emphasizes the inadequacy of current statistical information.

Reparation of damage resulting from official circulation of data misrepresenting actual conditions, it would seem, should take the form of public presentation of the most reliable and most representative indicators of the distribution of income. Some data of this sort were presented in the NRA report but no attempt was made to show their significance.

The indices of industrial corporation profits and the indices of manufacturing pay rolls may properly be contrasted, for instance, even though

the figures on profits are based upon reports from a highly selective group of large companies.

According to the NRA calculations, industrial profits for the first nine months of 1934 amounted to only 32 per cent of the total for the same period of 1926; manufacturing pay rolls, however, amounted to 59.8 per cent.

Comparing dividends and wages

ANOTHER appropriate indicator of changes in the distribution of income is a comparison between total labor income and total dividends and interest paid in all fields of business except agriculture. On these items the NRA data begin with 1929. It is estimated in the NRA report that total labor income (non-farm) for the first 11 months of 1934 was 62.3 per cent of the 1929 average. Total dividend payments, however, had fallen to only 35.6 per cent of the 1929 average. Total interest payments declined very little, the total for 1934 being 96.2 per cent of 1926. Nevertheless, the combined figures for aggregate dividends and interest payments, as shown by the NRA estimates of national income, declined in 1934 to 63.8 per cent of the 1929 totals.

Strictly comparable data on dividend payments of industrial corporations for the years 1926 and 1934 are available for only a few concerns. A special compilation by the Standard Statistics Company shows that dividend payments of 135 large industrial companies in 1934 totalled only

66.1 per cent of the 1926 payments. The increase for 1934 over 1933 was 19.6 per cent. Manufacturing pay rolls, however, as gauged by the Bureau of Labor Statistics indices, increased 27.2 per cent in 1934 over 1933.

A broad view of income

TOO much significance should not be attached to any comparative data based upon fragmentary statistical samples. To obtain a reasonably accurate analysis of recent changes in the distribution of income between employees and investors, the broadest possible statistical base should be used. The most comprehensive data available for this purpose are found in the national income studies of the United States Department of Commerce covering the period 1929-1933. (No comparable figures for 1934 have yet been published.) In the table on page 38, the distribution of the national income by major classes is presented.

In 1929, labor income, that is, salaries, wages, compensation, and pension benefits paid to all persons having the status of employees, accounted for 64 per cent of the total income paid out¹ and, in 1933, 62.6 per cent.

Dividends, which represented 7.2 per cent of the 1929 income, dropped to 4.5 per cent in 1933. The percentage of total income represented by interest rose from 6.7 in 1929 to 11.1 in 1933. This rise was to be expected. Obviously, during a period of declining income, fixed obligations of the kind represented by interest payments cannot be drastically reduced, and, therefore, constitute a higher relative proportion of the total income.

A comparison of the major items of the national income during the years 1930-33 with the same items for 1929 also demonstrates that labor income was maintained in a nearly constant ratio to total income. While the total national income fell in 1933 to 57 per cent of the 1929 level, labor income amounted to 56 per cent. On the other hand, dividends dropped to only 36 per cent of the 1929 figure. The maintenance of total wage

¹The Department of Commerce properly distinguishes between income paid out and income produced. The difference between the two terms is summarized as follows: "Income paid out means the flow of purchasing power or goods that are paid out as compensation for services rendered by economic enterprises, including government units, to the investors and to persons engaged therein, which includes profits withdrawn from the business or profession by entrepreneurs. . . . The total value of goods and services produced by the various enterprises less payments to other enterprises for goods and services consumed in production is here designated income produced. In any one calendar year these two items are not necessarily equal, for an enterprise may retain part of its value product as a surplus or other form of saving or it may use previous accumulations of assets as a source of payment of wages, interest, and other disbursements to income recipients."

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When the other members of your foursome begin to make things "hot" for you, just reach into your pocket and tee up a MacGregor Dry Ice Center Ball. Then smack it and watch it ride! And watch the mouths of your opponents pop open with amazement. You'll probably be able to take the next few holes while they are still too dazed to figure out what it's all about!

Man, here is a golf ball! It travels far, it goes where it's hit, and it laps up punishment as cheerfully as a golfer at the nineteenth hole.

What we mean is that the MacGregor Dry Ice Center Ball is entirely different from any other ball you've ever hit. Into its liquid center we insert a tiny, carefully calculated pellet of dry ice. This liberates carbon dioxide which "pumps up" the liquid center, increases the tension of the strong rubber winding and makes the whole ball super-resilient.

Try it. 75c at the shop of your pro or sporting goods dealer. The Crawford, McGregor & Canby Co., Dayton, Ohio. In Canada, Adanac Golf Clubs, Ltd., Toronto.

Macgregor

PAGE-MAKER DRY ICE CENTER

Golf Balls

and salary payments in substantially the same relation to total national income in each year since 1929 necessitated heavy drains upon corporate reserves. It is true, of course, that companies incurring current operating deficits paid out large sums as dividends.

When this was done, however, the result was merely to distribute to investors property which they already owned and which could have been transferred to them in the form of cash at any time.

On the other hand, to sustain wage and salary payments at such relatively high levels necessitated dissipation of capital resources of the companies at great financial sacrifice to the stockholders.

Using capital to pay wages

BETWEEN 1930 and 1933 the total income paid out exceeded the total income produced by \$25,000,000,000. Even in 1933 income paid out exceeded income produced by about \$4,000,000,000; in 1932 the difference was more than \$9,500,000,000.

It is evident that this \$25,000,000,000 was not used to pay disproportionate dividends. Dividends for these years totalled about \$15,000,000,000 as compared with total labor income of approximately \$150,000,000,000.

The magnitude of the disbursements for wages and salaries becomes all the more remarkable when studied in conjunction with the corporate income tax data published by the Treasury Department.

These figures show that American corporations incurred an average annual deficit of about \$2,350,000,000 during 1930-1933. This figure represents the combined deficit of all corporations, including those with profits as well as those with losses, before any federal income taxes or dividends were paid.

Most companies had deficits

IN 1933, of all corporations filing tax returns, 316,856, or 67 per cent, had current deficits. Despite improved conditions in that year, the combined deficit for all corporations totalled \$2,000,000,000.

Because of this prevalence of deficits in the preceding years, the rate of increase in profits of selective groups of large companies shows what appears at first glance to be a startling gain in 1934. But one must look behind the figures to see their true import.

Consider this hypothetical example:

A corporation which had average annual profits of \$500,000 before the

depression incurred annual losses averaging one million dollars in 1931 and 1932. In 1933 it had profits of \$50,000. In 1934, its profits were \$300,000. The 1934 profits represented an increase of 500 per cent over 1933.

Taken alone, this increase might be assumed to mean that the corporation was exploiting its employees or gouging the public, an utterly false impression.

The net profits of a group of 290 industrial companies showed an increase of more than 120 per cent for the first three-quarters of 1934 over the same period of 1933, according to a compilation by the Federal Reserve Bank of New York. These corporations were classified in 23 industrial groups.

When the data for the groups in which net losses occurred in 1933 are omitted from the totals, the 1934 increase is only about 31 per cent. This estimated rate of gain, it is to be noted, relates to a group of companies which had much more favorable financial results than the general average.

Nevertheless, when the increase in profits is contrasted with the estimated increases of about 35 per cent in all manufacturing pay rolls, over the identical periods, it becomes apparent that the benefits arising from better business conditions were by no means denied to employees.

Classes are not distinct

THUS far, attention has been directed to the distribution of income between two major classes of recipients—employees, and investors. These classes are by no means mutually exclusive. Many employees also receive income in the form of dividends and interest.

The labor income data do not include the personal income of entrepreneurs received from their own profit-making undertakings. The Department of Commerce income studies classify as entrepreneurs all owners or proprietors of individual concerns.

Farmers and proprietors of establishments engaged in trade and service constitute a large majority of this class. The Department of Commerce estimates of the average number of persons engaged in gainful occupations in 1929 showed:

Total persons in all occupations 44,225,000

Employees 35,205,000

Entrepreneurs 9,020,000

Entrepreneurs, in general, are persons with relatively moderate incomes, large numbers of whom per-

form work scarcely distinguishable from that engaged in by persons having the status of employees.

*Number and Income of Entrepreneurs—
1929*

	Number	Average Income
Agriculture	5,565,000	\$ 812
Mining, manufacturing, and construction	315,000	2,815
Transportation	169,000	1,775
Trade	1,601,000	1,500
Service	677,000	3,461
Miscellaneous	692,000	2,264
Total	9,020,000	1,333

The report on national income by the Department of Commerce points out that the data on entrepreneurial income are the least reliable of any of its income estimates. It should be noted that these figures relate to entrepreneurial withdrawals or income paid out rather than income produced. These withdrawals, as the table on page 38 shows, have declined since 1929 in nearly the same ratio as total national income paid out. The Department of Commerce classifies net rents and royalties as entrepreneurial income rather than as property income because the management of property is considered as a form of business enterprise.

The decline in income received from rents and royalties, as the table shows, has been more severe in every year since 1929 than the drop in the total national income. The Department of Commerce estimates on entrepreneurial withdrawals and on rents and on royalties make clear that entrepreneurs, in general, have experienced relatively greater losses in income since 1929 than have employees, and, in addition, have suffered a severe shrinkage in capital.

The propriety of drawing positive conclusions from such incomplete estimates may well be questioned, but certainly the available facts disclose no tendency toward aggrandizement of any particular class at the expense of other classes. The share of the national income received by employees has continued to represent nearly a constant proportion of the total. The greatest variations from the 1929 distribution of the national income have occurred with respect to the two main classes of property income. Dividend payments have represented a progressively smaller proportion and interest payments a larger proportion of the total income.

The advance in the ratio of interest payments to total national income during the depression has only the remotest connection with changes in the share of the national income received by employees. In any event, the facts disclose no tendency toward diversion of a larger proportion of the financial returns of productive business operations from employees to investors.

S O S

THREE LETTERS BRING HELP...RACING

Three letters crackle into the air over the sea . . . S O S . . . and from every quarter ships come racing to save—to prevent disaster. There is help at hand ready for the call.

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in a matter of seconds. This ability to get in immediate contact with a representative of your insurance company is often of immense importance.

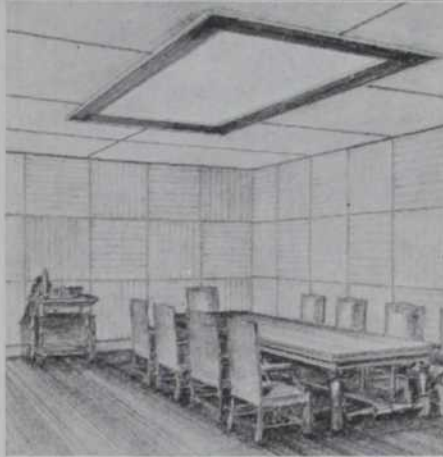
This S O S service is one of the *plus* values of Hartford protection which does not add a penny to its cost.

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Take the Nu-Wood office illustrated above, for example. It's easy to look at, certainly. The walls glow with soft, harmonious color. Rich texture and interesting pattern enhance the effect. But this office is also *quiet*, because Nu-Wood hushes noise and corrects faulty acoustics. It is also *efficiently insulated*—Nu-Wood does that job, too!

Nu-Wood comes in a variety of colors and forms. In existing buildings, it is applied directly over old walls and ceilings. In new construction, it eliminates lath and plaster. Mail the coupon for the book "Pacemaking in Decoration."

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New Industries Mean New Jobs

THE creation of new jobs through new industries has been hopefully looked to by many as at least a partial solution of the current unemployment problem. What new industries have done in the past in this direction, in the view of Allston Sargent, president of the Campbell Metal Window Corporation, suggests that they may well be considered in any plans for reducing present unemployment.

"Had such new industries as the automobile, radio, talking picture or aviation not been introduced," he said in a recent interview, "I venture that we would have had some six million unemployed in the capital goods industries from 1921 to 1929."

"Other industries now actually rising or on the horizon hold similar employment potentialities. Air conditioning, new types of low-cost homes, the new streamlined trains, midget airplanes, television—these and other new industries, should they approach the estate of some of those which have developed in the past, would vastly ameliorate if not solve our unemployment problem."

"Take air conditioning, which we are already beginning to think of as old though, as a matter of fact, it has hardly started as an industry. A few theaters, trains, stores and not more than a thousand or two homes are now completely air-conditioned. Yet within a few years, if present indications are any guide, practically all of our trains, buses, theaters, stores, most of our homes, and even many of our taxis and automobiles will be equipped with air-conditioning apparatus. The rapidity with which this industry is growing is indicated by one manufacturing company's report that its sales of such equipment for last December and January were 300 per cent above those of the same 60-day period a year ago."

"New inventions will speed the progress of this industry. Take the case of air-conditioning a railroad car. Present cost for a one-car, electrically-equipped air-conditioning machine is around \$8,000, motors and generators which derive their power from the axle of the car being required. In a ten-car train the drag of this equipment becomes a serious load on the engine. This handicap will be overcome some day, possibly by a light Diesel engine which can be connected to a compressor, attached to the bottom of the car and operated by fuel oil at a fraction of the present cost. Experiments have already been made with air-cooled automobiles, a small gasoline engine

and compressor being installed in a trunk (removable in winter) on the rear of the car.

"Potentialities of small, low-cost home construction have been repeatedly stressed. Much experimenting has been done with various types of prefabricated houses in the past few years. Definite progress has already been made and more will be made. Wanamaker's, New York department store, for example, only recently advertised full-size prefabricated houses, completely equipped, delivered in a truck and set up and anchored to the foundation in about two weeks, at from \$3,800 to \$9,900.

"Within a few months we will see advertised another new house, also completely equipped and air-conditioned like the Wanamaker offering, which may be paid for at the rate of \$29 a month. Combine the impetus lent by such developments with that given by the Federal Housing Act, the increasing number of marriages and other factors and a yearly production of a million small homes for several years is entirely possible."

New and fast trains

"STREAMLINED trains constitute still another vehicle of reemployment. At least ten railroads are operating, building or experimenting with these light, fast newcomers and the record they are rolling up in the way of increased passenger traffic and decreased operating cost constitutes a promise as to their future."

"Midget airplanes and television perhaps should be listed among the more distant prospects, but invention may at any time project these into the realm of immediate commercial possibility."

"New industries have taken care of our unemployed in the past. It is hard to conceive of a likelier way of taking care of them in the future. This being so, it seems to me that government, so long as it has fixed reemployment as one of its primary goals, could well consider the encouragement of these and other new industries as at least one avenue to that goal. This might be done through the formation of a New Industries Board or other body which would study various new products in order to devise plans for accelerating development. It might be accomplished through some other procedure. In any case, experience indicates that here is a field which certainly deserves attention in any well-coordinated national recovery plan."

The Tax Collector Is a Piker

By PAUL W. KEARNEY



H. ARMSTRONG ROBERTS

The margin between the \$50 fire and the \$1,000,000 fire is usually luck.
The best fire department is no good unless it is summoned to action

IT'S an old American custom to convert our goods and chattels into pretty wreaths of smoke. Those who don't actually share in the gaiety of being burned out, cheerfully contribute to the fire bill run up by their neighbors. They make this contribution when they pay their insurance premiums and their tax bills. They dig out their check books and help support fire departments ten times the size of those which adequately protect European cities of comparable size. The sad part of it is that we don't seem to realize that we are going from bad to worse.

"Oh, we don't have the fires today that we used to have," the old-timers will tell you.

Yet if you glance at the figures, you'll find that our national fire loss has more than doubled in 20 years while the population has increased one-third.

But fire loss is only a small part of the story, albeit the phase that is emphasized most. It is only double what it was 20 years ago largely because we have trebled the old appropriations for fire departments. Here is a typical city, for instance, that used to spend \$1.64 *per capita* to keep its

EVERYBODY complains about taxes but few people pay much attention to the fire loss which, in the long run, is far more expensive even for those whose property was not involved in the blaze

losses down to \$1.38. Last year it kept that loss down to \$2.48 by the left-handed dodge of spending \$3.39 for its fire department's upkeep!

There is nothing the matter with the fire department. It is one of the best in the world as is shown by the fact that dozens of cities have *per capita* losses three or four times greater.

In the light of our much-touted American efficiency, this neither makes sense nor compares very favorably with European experience. London and New York are comparable in area and congestion. London maintains 2,000 firemen to take care of its 6,000 annual outbreaks—New York has 6,500 firemen to handle more than 31,000 fires. Indeed, New York has more than twice as many false alarms as London has fires.

Unfavorable comparisons

SIMILAR comparisons prevail elsewhere. Paris has about 6,000 fires a year as compared to Chicago's 20,000; Glasgow has 200 firemen and about 1,000 annual outbreaks as against Detroit's 2,000 men and 11,000 fires.

Manchester and Boston are about equivalent. The old British City has 130 firemen and 600 fires while the younger Intellectual Hub of the Universe maintains 1,633 men and has 6,000 yearly outbreaks.

Nor is it necessary to confine comparisons to cities. The fire loss of the entire German Republic is about equal to that of Chicago which has one-twentieth the population. The annual loss in Holland is less than that in Cleveland. Indeed, on one occasion we had four fires within 48 hours in this country which de-

stroyed more property than both Italy and Austria lose in a year.

Carried on indefinitely, such comparisons would simply underscore the oft-repeated truth that our American fire losses are terrific and inconceivable to the visitor from abroad. It is not particularly unusual for them to point to a town like Ahun, France, with a population of 1,200, which hasn't had a fire in six centuries. Neither is it unusual for us to point to a case like Auburn, Maine, where, a year ago, one blaze rendered homeless twice the population of Ahun in five hours!

Our complacency in the face of our fire loss is equalled only by our vexation at the merest mention of more taxes—yet the truth is that the former is invariably two or three times greater than the latter. In Oregon, for example, the *per capita* cost of the state government was \$7.12 in a year when the *per capita* fire tax totaled around \$19.35. And when it comes to fancy fire losses, Oregon isn't in the same class with many of the New England and Atlantic States where they do such things much more impressively.

The difficulty is we never see these bills face to face. It is easy to point to your city's fire loss of \$2.33 and feel that it is comparatively good. But that's like cheating at solitaire.

which leaves an organization ailing for a long time, if not for good. Records show that, of every 100 industrial and commercial plants which burn, 43 do not resume operation. Of the 57 which rally, 26 register substantial losses in business; 17 fail to issue financial statements, and 14 suffer extensive reductions in credit rating. In short, with or without insurance protection, none of them comes through scot free.

Industrial fires are largest

IN point of numbers, perhaps, this commercial and industrial field doesn't compare with the residential fire experience where we have some 1,200 outbreaks a day. But when it comes to reducing losses substantially, it is in the realm of the factory, the mill and their related establishments where we must look for salutary gains. For these are the fires that hurt—and they constitute the vast bulk of that notorious one per cent of the outbreaks which causes 65 per cent of the total loss.

In one year, to be specific, we had 44 fires which cost \$250,000 or more each, and 30 of them were in industrial or commercial plants. Between them, those 30 cost \$13,000,000, so you can count them as important fires. Yet it must be remembered that for

separates itself into two distinct courses:

First: The establishment of 52 Fire Prevention Weeks a year.

Second: The adoption of universal automatic control in those fields where the most serious fires commonly occur.

The first point becomes elementary in view of the fact that scores of American cities have no fires at all during Fire Prevention Week. That annual October observance simply makes people fire conscious, promotes clean-ups, reduces hazards and cuts the losses. But in a month it is all forgotten. Rubbish begins to accumulate again; vigilance relaxes; bad habits return—and fires resume.

More and more, our fire departments will have to stress the prevention angle, backing up continuous inspections with intelligent propaganda and effective laws that can't be suspended for this big campaign contributor or that one.

This prevention work pays well. Six years ago Pittsburgh's *per capita* loss was \$3.37—which wasn't bad. By 1933 it was \$1.25—which is better. In the same period, Newark, N. J., has come down from \$5.67 to \$2.14; Cincinnati, from \$3.16 to \$1.37; Washington, from \$3.11 to 72 cents, which is a marvelous demonstration of what intelligent fire prevention can do.

The bitter fact remains, however, that for every city like Pittsburgh or Cincinnati or Washington there are at least 15 others with losses ranging from \$6 to more than \$12. And although fire prevention pays its way wherever it is applied, it is unfortunately true that this factor alone is much too thin a division between success and failure. Virtually every American city has one or more nests or "conflagration hazards"—antiquated, run-down, rat-trap districts which keep insurance rates high simply because experience proves that an unlucky slip of 15 minutes can convert a modest outbreak into a holocaust that will wipe out half

the community. All you need is one workman's ignored salamander—and you have another \$3,000,000 Fall River conflagration; one belated discovery of a blaze of simple origin, and there's another \$7,000,000 Buffalo armory fire.

The pity is that each year shows two or three communities where a normal loss of around \$2.00 *per capita* is jumped to \$25 or \$26 by just



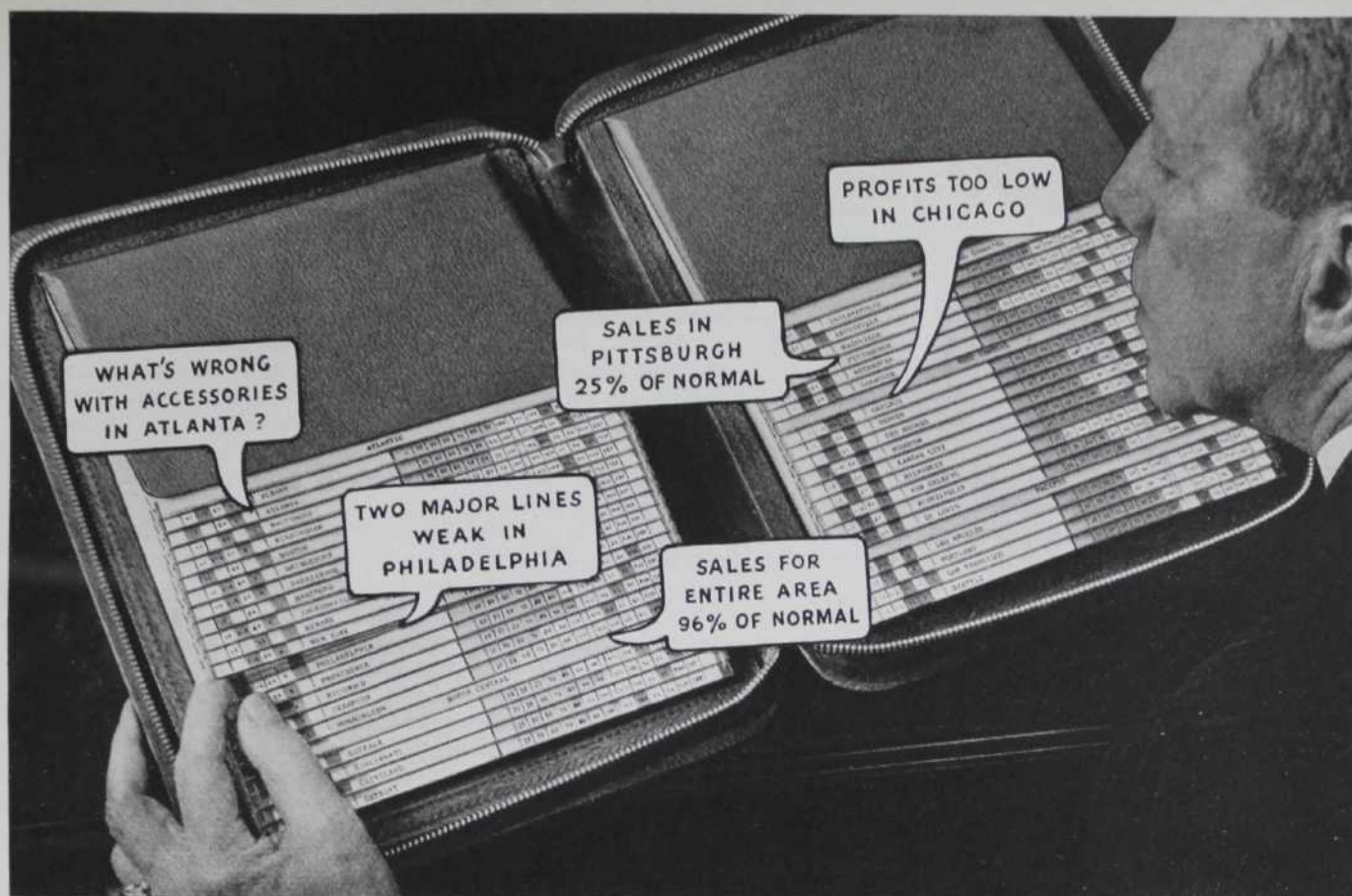
The vital end of the automatic alarm system—the central station where every installation is electrically supervised 24 hours a day

Why not throw in the \$3.50 or \$4.50 you spent that year for the fire department—the excess insurance you pay for the conflagration hazard—the stupendous economic waste of current fires in lost rents, increased unemployment, curtailed purchasing power, diverted funds, and the like?

A fire isn't a temporary misfortune which happens today and is forgotten next week—it is a calamity

every \$250,000 outbreak there are four others at \$150,000; eight more at \$75,000; and at least 250 at \$10,000.

In the face of this stupid and staggering waste, what is to be done? Volumes have and could be written in answer to that question, but they would all revolve around a few fundamentals. Hence if we will analyze the effort to check immediately the American fire loss, we will see that it



A quick answer

TO SALES MANAGEMENT'S BIGGEST PROBLEM

"ARE my salesmen concentrating enough on the profitable items in the line? Are they working intelligently on competitive accounts? Are they spending the right proportion of their time in each sales area?"

These are a few of the questions that worry intelligent sales management today . . . many questions . . . but all centering about one problem . . . *effective sales control.*

With rising factory costs, with shifting credit ratings, with widely varied buying power in different districts, creating sales at a profit has become one of management's biggest tasks.

The Zipper Book Unit, pictured above is one part of the new and amazingly simple Kardex visible sales control system which Remington Rand has developed in the past two years.

With this system, sales managers can make sure they are getting all the business possible from each account.

Sales interviews can be controlled to highlight the most effective sales points. All the sales records can be summarized into this one brief-case size zipper book enabling the sales manager to analyze local conditions on the ground, with every branch and if necessary, with every salesman.

If you are using Kardex sales records now, this new control system can be installed quickly at low cost. If you have never used Kardex, ask for proposal showing how little Kardex sales control would cost you. Look for Remington Rand in your telephone book. Or, if you prefer, write Remington Rand Inc., Buffalo, New York, for literature showing how firms in your own line of business are using this new system to increase sales.

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Remington Rand

THREE STEPS TO SALES CONTROL WITH KARDEX



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Visible cards with colored signals show sales compared to potential, last time salesman called, date of last order received, sales by lines, analysis of volume compared to quota.



2. BRANCH OFFICE CUSTOMER ANALYSIS
New Kardex on wheels permits sales records to be wheeled instantly to executives for analysis. (Ask about Dextraph, a low-cost method of photocopying home office records for branch use.)



3. CONTROLLED SALES INTERVIEWS
New Kardex Zipper Book Unit permits quick picturization of sales points, giving each salesman perfect memory. Not a "canned sales talk" but new unique method of controlling each sales interview.



Tennessee Stove Works, Chattanooga, Tennessee.

—at the Tennessee Stove Works

FOR the past four years an Iron Fireman stoker has been on the firing line at the Tennessee Stove Works at Chattanooga. During this period Iron Fireman has been in continuous use from 18 to 24 hours a day, generating over 125 h.p. in a 75 h.p. high pressure Kewanee boiler.



Iron Fireman installation in a commercial heating boiler.

"We are having just as satisfactory results with Iron Fireman now as at the beginning," says B. M. Rawlings, secretary. "Fuel savings over hand-firing have been approximately 42%. Smoke nuisance has been eliminated."

Iron Fireman leadership in the stoker industry has been built upon the ability of Iron Fireman stokers to deliver a superior firing service under the stress and strain of continuous heavy duty operation in boilers up to 300 h.p. Out of Iron Fireman's cumulative experience in thousands of installations has been developed a 1935 line of Iron Fireman stokers that sets new high standards of quality and performance.

Free Firing Survey

Investigate Iron Fireman. Get the facts on fuel cost savings and firing betterments in your own heating or power plant through a free firing survey. Iron Fireman is quickly installed and can be purchased on a convenient monthly payment plan. Use the coupon for literature and firing survey. Iron Fireman Mfg. Co., Portland, Oregon; Cleveland; Toronto. Dealers everywhere.

IRON FIREMAN

AUTOMATIC *Self* COAL FIRING
Regulating



IRON FIREMAN MFG. CO.
3144 W. 106th St., Cleveland, Ohio.

Type of plant:
☐ Send literature ☐ Commercial
☐ Please make ☐ Power
firing survey ☐ Residential

Name _____

Address _____

such an incident. Candidly, almost no American city is free from this ever-present sword of Damocles. And that sword falls so frequently that since the beginning of this century we have suffered 43 conflagrations averaging \$9,000,000 each, exclusive of the one at San Francisco.

Inasmuch as at least 30 of these sweeping fires originated in the industrial or commercial high-hazard district, it becomes evident that the ordinary business fire has grave potentialities if, through belated discovery, it gets out of control. It follows logically that no business fire should ever be permitted to get out of control, there being no valid excuse for it in this day of advanced automatic protection.

The point we overlook, while we pour more and more money into needed fire departments, is that the world's finest department, no matter how many millions it cost, isn't worth a plugged nickel until it is summoned to action, and, in view of our prevailing construction, any slip-up in that summons can easily convert a wastebasket full of fire into a five or ten million dollar loss.

The margin between the \$50 fire and the \$1,000,000 fire is usually Luck; the thin hope that some watchman, a wandering employee or a passerby will chance to stumble over the outbreak before the entire building is involved.

Stop fires quickly

WHEN we arrive at the viewpoint of detecting our fires by automatic means instead of putting the bulk of the responsibility on passing milkmen or the peregrinations of fallible watchmen, we will finally approach the goal of common sense. Until then we can spend five times the present budget for bigger fire departments and still pay fire losses if nobody is going to tell the firemen where the fire is before the building is doomed!

Our only practical hope for a reduction of the fire loss must rest in more universal automatic protection, whether it be in the form of supervised automatic sprinklers, approved automatic alarm systems, or both. Such protection, when functioning through modern central stations, eliminates all of the costly elements of luck, breakdown and personal failure which now constitute an incalculable factor in serious fires.

None of this is pure theory, as every-day practice shows. The records of the only nation-wide organization in this field, the American District Telegraph Company, are broad enough to cover every type of local contingency, individual hazard and climatic condition. They show, for

example, that, of 4,887 buildings using central station sprinkler supervision, the ratio of losses to values protected amounts to only one one-hundredth of one per cent. And with something more than \$250,000,000 worth of property protected by a central station automatic alarm system, the average losses are no greater than in sprinklered properties. Any elaboration of which would be gilding the lily.

At this juncture it seems pertinent to stress one vital thought with regard to approved automatic protection—the necessity for stringent supervision. Most sprinkler failures are due to such causes as "water shut off," "generally defective equipment," "sprinkler system crippled due to freezing," "defective water supply" and so on through the list of faults arising from improper maintenance. This same negligence can nullify the value of an automatic alarm. Consequently, when fire engineers talk about automatic protection, they invariably speak of "supervised protection," and automatic systems are always called invaluable "when operative."

Bitter experience has taught that a dead system is even worse than no system because of the false security established. And, since men within a plant always have numerous other duties besides tending to protective devices which are infrequently used, the safest expedient is to put this specialized burden on an outside agency qualified to handle it. The inspection agencies are extremely partial to central station services because there the systems in question are not only inspected periodically, they are also electrically supervised from minute to minute, 24 hours a day. An impediment to operation actuates a distinctive signal; a fire transmits another signal—with the result that the very silence of the supervised protection system is its own report that all is well.

Of course, any comprehensive study of fire loss reduction must inevitably conclude with a sound maxim that "it is cheaper to fight fire at the drawing board than at the hydrant." In short, better construction is the ultimate goal of fire preventionists—construction which will at least retard fire rather than stimulate it. We naturally come back to that in view of earlier European comparisons. And the point may be driven home by a realization that the town of Ahun, which has been fireless for six centuries, also hasn't had a combustible structure in the town in the same period! Here, on the contrary, you will find thousands of communities where the only incombustible materials to be seen are the

chimneys—and they are the only things left standing after the fire demon has paid his visit. To a great extent the same comparisons apply to larger cities.

And when Chicagoans point with pride to their \$2.09 fire loss, it won't hurt them to know that the *per capita* loss in London rarely is more than 70 cents.

Interiors should resist fire

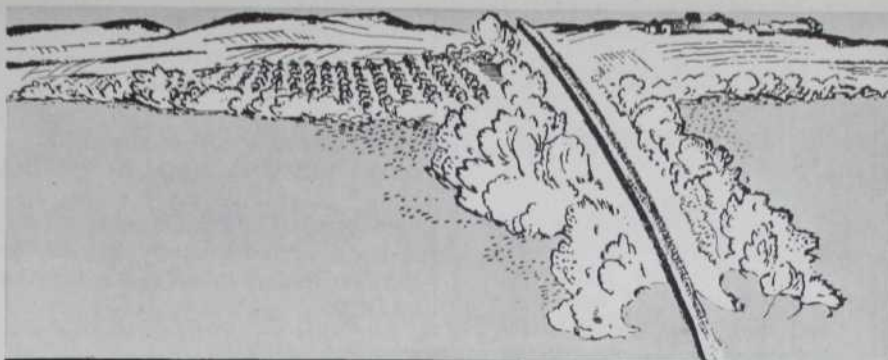
BE THAT as it may, improved construction is tomorrow's weapon. We are confronted with the situation as it exists today. But, while the subject is up, it won't be amiss to point out one common fallacy of fire resistant construction which too many architects and too many of their frugal clients overlook—to their sorrow. It must be understood that fire resistance in buildings is purely passive resistance; you can't extinguish a blaze by housing it in an enormous steel-and-concrete furnace. A building is no more fireproof than its contents, and the growing list of million dollar losses in perfectly sound, modern structures is the only argument that need be offered in corroboration.

Chicago's Burlington Building is a case in point. A model of fire resistance, its owners insured it for less than half of its replacement value and few of its tenants carried any insurance at all. Yet its contents caught fire from the radiation of another severe outbreak 80 feet distant, and the final toll was \$8,000,000 in tangible loss.

A single item among the "intangible costs" was one railroad's loss of the records covering its physical valuation compiled at an expenditure of several million dollars.

Certainly, the Burlington Building was fire resistant. But when its contents began to burn, flooding the structure with volumes of air heated to 2,200 degrees or more, glass desk tops melted, metal files folded up in grotesque wads, concrete was reduced to sticky puddles, steel supporting columns bent wearily under the burden and let ceilings down to the floors!

So once again we come back to the principle that fires can only be checked economically by detecting and reporting them before they grow serious so that the fight can be begun when a "dash of water" will do the job. And, whether the structure be a fire trap or an ultra-modern building, the only safe way to accomplish that is by applying approved automatic protection, rigidly and constantly supervised so that it will be certain to function when the crisis comes.



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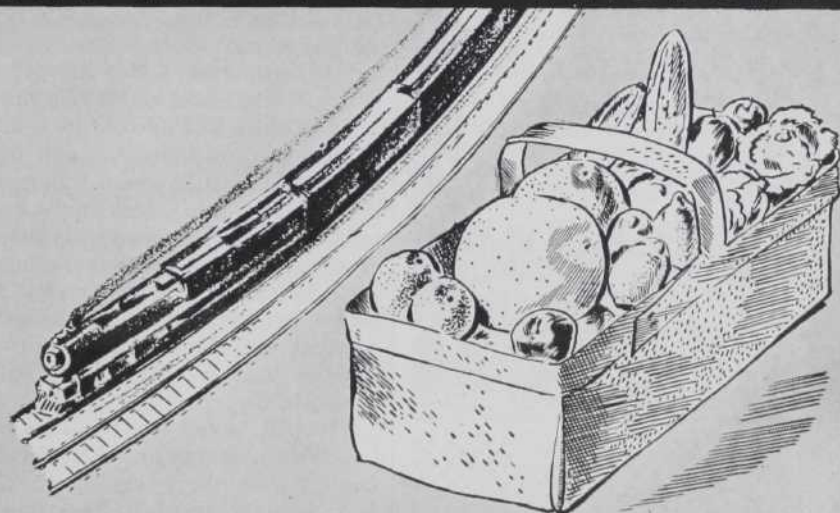
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Stewart IRON and WIRE
FENCES

Portrait of a "Propagandist"

(Continued from page 24)

works will work," said he. "A half-baked reform is never digestible. I have studied all the great movements of the past and I have yet to find one that succeeded unless it was based on reality."

His first lesson in this came when he was a mere boy. Like many other bright young boys he believed he had solved the question of perpetual motion. He had worked out his calculations carefully and came to his father with a heart filled with hope. His father listened gravely. He did not laugh at the boy or attempt to prove to him that in the end natural law will be obeyed simply because it is the natural law. He said:

"All right, Hugh. If you have discovered the secret of perpetual motion you have done a big thing. But your discovery is worth nothing unless it works. Here is some money. There is a good work bench out in the shop. Buy what you need and take all the time you want and make a model of your machine that will run. Mind you, no one will be interested in how shiny it may be or how convincing your arguments are. You must make the thing run."

It was a fine machine but it would not run. After that he took care to see that the machines he made had something more behind them than theory and dreams.

He is practical, too

HE IS an idealist but during the years spent in the active practice of politics he observed that ideals that will not work simply give the other fellow a chance to put over something that is not idealistic. He refused to play into the other fellow's hand and learned how to organize his forces. When he retired from politics the Legislative Voters' League of Illinois said of him:

"Illinois never had a more honest and more efficient public servant."

In 1922 he was one of the founders of the International Council of Religious Education which was granted a charter by Congress. Forty Protestant denominations made it their accredited agency for developing and making available better methods for religious education. Magill became its general secretary. One of his best friends was a witty priest of the Catholic Church:

"It will never work, Hugh," said he. "Forty Protestant denominations cannot possibly work together. The very name 'Protestant' tells the story.

They are Protestants because they protest."

"I think I can make it work," said Magill. In 1933 the average annual budget was \$150,000. It was working splendidly and it is still working. But in that year Dr. Magill made a discovery. The value of utility stocks and bonds had been decreasing steadily. At the beginning of the slump this was ascribed to declining general business. Later on, public confidence was shaken by disclosures of doubtful practices by some of the foremost men in the industry.

Then, in 1933, the Government gave direct support to the campaign for public ownership. The Tennessee Valley Authority embarked on a program which, Dr. Arthur E. Morgan, head of the Authority, stated, might ultimately cost the taxpayers a billion dollars. Its aim in part was to sell power in competition with the privately owned taxpaying utilities. It was taken for granted that other similar Authorities in other parts of the land would follow.

Utility security values slumped again. The influence of the governmental attitude on values is shown by the fact that, since the introduction of the Rayburn-Wheeler bill, utility securities have gone off in market price more than \$3,500,000,000.

"I learned," said Dr. Magill, "that many of the religious boards had utility bonds in their endowment funds. The Catholic Church Extension Society have several million dollars. The electrical industry had for years been considered one of the soundest investments. The use of electricity was constantly growing. It seemed certain that it would continue to grow as our people increased in number and our liking for ease and convenience grew. The rates were being constantly lowered and the utilities seemed to be on a sound financial basis, as shown by the fact that insurance companies and trust funds preferred them.

"The Methodist Board of Education had more than \$1,000,000 invested in utilities and the Methodist Board of Superannuated Ministers had \$660,000 in these securities. On their safety depended the comfort—perhaps even the lives—of hundreds of men who had retired after spending their lives in God's service. Other churches, philanthropies, and educational institutions had invested largely. The investments were threatened with loss which ran from partial to complete."

He sent out a letter, which was published, calling attention to these

facts and asking the public authorities to consider more deeply before assailing the life of an industry in an effort to clean up abuses that might exist. A flood of letters poured in on him as a consequence. I have seen some of these letters. They are among the most moving documents I have ever read. They were written by men and women who had worked hard and saved and invested in what they had every reason to believe was a sound and growing industry. Many were written in lead pencil. Others bore traces of the sputtering pens and muddy ink to be found on the writing shelves of the Government's post offices.

They were for the most part literate in the sense that the spelling was fairly good and the sentences well constructed, but in every line they bore evidence that the writing had been a painful labor. They were propaganda, of course. The most unmistakable propaganda. These forgotten and voiceless men and women had found a champion.

"Please do something to help us," they begged.

Propaganda that rings true

THEY were never intentionally dramatic. The writers did not know how to point up their sentences. Yet each ill-written sheet told a story of a life spent in patient labor and ungrudging economy inspired by the hope that its closing days would be secure. Oddly enough—or it seems odd to me—the writers had not lost faith in the utility industry. They only asked that it be protected against unwarranted attack.

"My life's savings are in utilities. The newspapers indicated that they are to be put out of business. In God's name protect them and us."

"We want to be self-respecting and independent" but "if the government competes with our utility and puts it out of business—"

"I think the American public is always fair when it knows the facts."

"I am a man past 71 years of age. My utility investments bring in an income of \$50 a month and we have to live on that. My wife is past 67."

"My heart is in your work."

"The dearest elderly lady I have ever known has just died on account of worry over her meager savings."

"I haven't a dollar in the house. If my utility stock is gone, the most I can hope is that some friend will give me a decent burial."

This magazine could be filled with letters of which these sentences afford the merest glimpse. Dr. Magill was stirred. Here was a cause worth fighting for.

"It seemed to me that it was basic

TO MEN WHO DON'T WANT TO WAIT 5 YEARS FOR A \$10,000 SALARY

THERE ARE a few ambitious men in every company who have decided that it is 1935 or never. They are sick and tired of being spoken of as "men with a future." Whether their goal is \$5,000, \$10,000 or \$20,000 a year, they want *this year* to begin to realize some of their financial ambitions.

These men feel equipped to contribute substantially to their company's problems. They understand their particular end of the business. They are of executive calibre. And they know there is a special need for sound, constructive thinking in every business today.

What is holding them back?

In most cases, very little. Usually nothing that they cannot acquire with a modest investment of effort.

There is a practical formula that has been of great value in helping men take on the increased responsibility of leadership. The Alexander Hamilton Institute offers it to you. Through its famous

Course of business reading, the Institute will give you a sound perspective of all business. It brings you a working knowledge of banking and finance, of advertising and merchandising, of cost finding, and commercial law, and plant administration—the kind of all-round knowledge that a man must have for outstanding success in times like these.

Such an outstanding success is within your reach because the Alexander Hamilton Institute has put it there. It has assembled the experience of the great leaders of modern commerce and made it available to you in convenient, compact form. Among these men are such

outstanding names as: ALFRED P. SLOAN, Jr., General Motors; C. M. CHESTER, Jr., General Foods; DAVID SARNOFF, Radio Corporation of America; LEE H. BRISTOL, Bristol-Myers; M. H. AYLESWORTH, National Broadcasting—plus many others equally famous.

What type of men use the Institute? You have a right to know. Of the 400,000 men whose business progress has been speeded by the Institute, more than half are Members of Boards of Directors, Presidents and Business Heads, Vice-Presidents, Treasurers, General Managers or Professional Men.

For example, among the Institute's subscribers are: the president of one of the largest tobacco companies, the chairman of the board of one of America's biggest chain of newspapers, the chairman of the board of a leading food company, the president and general manager of one of the great motor car organizations, the president of a famous soap-producing company, to mention only a few.

Men who don't want to wait ten years for success are invited to take the first step toward a major executive position now. Send for "What a Business Man Must Know Today." This is the title of a recently prepared book that describes precisely how the Alexander Hamilton Institute's formula works. If you are one of the men who are determined to get where they want to be *this year*, this book is for you. It comes without cost or obligation. The coupon is for your convenience.

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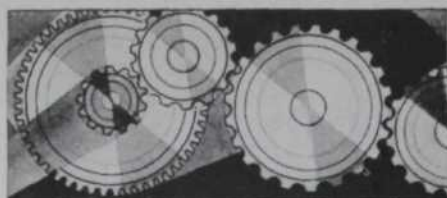
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Where 200,000 BUYERS meet....and find new profits

FROM the factories and workshops of 22 nations, some 8,000 firms send their latest wares to Leipzig twice each year. There they are inspected by the shrewdest buyers from 72 countries.

The thousands of exhibits in the *General Merchandise Fairs* cover every possible item for department stores and specialized stores. This fall, in the *Building, Home and Industrial Equipment Fair*, there will be 1,000 exhibits of interest to manufacturers, engineers and architects. 37 gigantic Fair Palaces and 17 Exhibition Halls are required to house all these exhibits. Yet the lines are so conveniently grouped and displayed that the average buyer covers his interests in less than a week's time.

These are the reasons why the international Leipzig Trade Fairs have been called "the show window of the world" and "the foremost barometer of international trade."

For 100 years, American buyers—in steadily increasing numbers—have been finding new profits at the Leipzig Trade Fairs. (The Fairs are more than 700 years old.) The Spring Fair of 1935, held in March, saw an increase of 82% in the number of American buyers—over the corresponding Fair of 1934.

And already, these same firms are planning their buying trips to the Fall Fair, which will open on August 25th. Will your firm be represented?

We cordially invite you to let us help you determine the value to your firm of covering the Leipzig Trade Fairs. Special courtesies and travel discounts are available to Fair visitors. Write for Booklet No. 19, giving a more detailed picture of the Fairs. Please tell us the lines in which you are interested. Our New York Office—or an Honorary Representative in your vicinity—will be glad to co-operate in every possible way. . . . Leipzig Trade Fair, Inc., 10 East 40th Street, New York City.



LEIPZIG TRADE FAIRS

and fundamental. All my life I had criticized the evil practices that had crept into industry, and I shall continue to do so. But such things can be guarded against by law. I had fought against corruption in politics. Corruption in politics can be cured by law and its enforcement. It is not necessary to forbid the practice of politics or hang politicians. I had worked for the betterment of educational methods. Again the cure was to be found through what might be called legal processes. But the attack on the utilities industry by the Government seemed to me over and above and disregardful of law. It involved the destruction of private property and the creation of a governmental structure which would change the foundations of the republic. It was an assault upon freedom. I proposed to speak for the great silent investing class."

The American Federation of Utility Investors was in existence at that time but it had not been active. Four clerks worked in an office equipped with borrowed furniture. It had \$3,000 on hand, which was matched by its debts. Dr. Magill had been a member of its Board of Directors but he had been too busy to spare much time to its affairs. The letters which kept coming in aroused the other members of the Board. They knew Magill's ability as an organizer and his tremendous energy. For three years he had been the field secretary of the National Education Association and had increased its membership from 10,000 to 100,000. He had been director general of the Illinois Centennial Celebration and during the Century of Progress in Chicago he was director of the Hall of Religion.

"Take the leadership of the Federation of Utility Investors," they asked. "Let us do something."

Magill took charge and things began to happen. One day he was called to the telephone to talk to the man of whom he is more fond, perhaps, than of any other not a member of his own family. This man is rich, generous, and has given proof of his devotion to the civic interest. More than any other he had helped Magill in setting up the International Council of Religious Education. He asked Magill to withdraw from the Federation of Utility Investors.

"The very name 'utility' has been so connected up with certain abuses that I feel that if you are connected with any movement favoring the utilities our work for religious education may be injured."

"I have nothing to do with any utility company," said Dr. Magill. "I will not take a dollar from any of them. But some one must speak for

the innocent investor—for the man who has bought utility stock in good faith only to find the safety of his investment menaced by politics. I propose to defend him against injury no matter from what quarter it may come."

"I insist that you withdraw."

"I will not," said Magill. "You have my resignation—now."

There was no breach of friendship. There never has been. At the other man's insistence he withdrew his resignation until he could think things over.

Tackling a worth-while job

HE WENT into the woods for ten days where he could be at peace. His personal interests were closely involved. He was 65 years old, and as general secretary of the International Council he had what amounted to a life position at a salary of \$8,000 a year. The weakling Federation of Utility Investors could only promise him \$7,500 a year and this was dependent on the hope that the Federation would survive the attacks certain to be made upon it. At the end of the ten days he confirmed the resignation he had offered:

"It seemed to me the fight was worth making. I have never made much money but I have always been equal to making all the money that I need. The International Council of Religious Education was well established. It could get along."

On the table before me is a little brochure containing the messages of regret and appreciation from the officers and staff of the International Council on the occasion of Magill's resignation. Among the signers are Russell Colgate and J. L. Kraft and Harold McAfee Robinson and Luther A. Weigle and John H. Race and many others.

The Federation of Utility Investors began to grow. Many of its members lacked the dollar with which to pay for a year's membership, but they were accepted as members for all that.

"I am a widow and so poor I cannot send no money but I thank you from the bottom of my heart for the thing you are doing and to help me keep what I have saved all my life for and not let the Government make it no good."

There's food for a lot of thought in that sentence.

"I cannot understand why the thrifty who have worked and saved are not as much entitled to consideration as others. . . ."

A more tragic implication is to be found in another class of letter writers:

"We would like to join your organi-

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23



Money Saving Features *in its engine alone*

IN ADDITION to more than a score of other important chassis features—many of them exclusive—the quality GMC 1½-2 ton truck has at least 23 engine refinements that reflect themselves in more work done and more profits earned... features such as cast nickel alloy iron block and head, complete full-pressure lubrication, high sustained torque, 85-pound drop forged counterweighted crankshaft with harmonic balancer, and many others that seasoned truck operators value.

Is it any wonder, then, that shrewd business men the country over are swinging to this many-feature truck? Swinging to the truck that has at least 47 money-saving features... that excels each of its chief competi-

tors on many important counts... excels on such counts as greater payload capacity, greater horsepower, drop-forged wheels and latest type Lockheed hydraulic brakes with economical centrifuse drums and exceptionally large quality brake linings.

It will pay any truck buyer to see, test and compare the 1½-2 ton GMC. In fact, no matter what his hauling needs may be, he will find in the 1½ to 22 tons

GMC truck and trailer line a unit to fit his needs exactly, a unit of tried-and-proved ability to out-perform and out-earn on any sound basis of comparison.

A Typical Value Fact

The engine of the GMC 1½-2 ton truck develops greater sustained torque than any one of its chief competitors. This means that it will climb steeper grades at faster speeds or pull heavier loads faster—in short, accomplish more work in a given time.

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See the revolutionary dual performance axle now available in the 2-3 ton range. It provides a high-high gear (5.14 to 1) for fast movement on the level at economical engine speed and a low-high gear (7.15 to 1) which assures improved performance with heavy loads on hills or where the going is hard.

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1½-22 TONS

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The Cyclone Way—Arm for mounting barbed wire "keys" wire in notches firmly. Easy to release and refasten if wire should need adjusting. Construction provides great strength at top rail opening.

The Ordinary Way

—The barbed wire is drawn through metal tongues which have to be hammered down (breaking galvanizing) to hold wire. Adjustments of wire cause tongues to break off. Strength is also lacking where extension arm accommodates top rail.

● Barbed wire hanging in loops—arms crooked—and a needless repair bill for you. It won't happen if you specify "Cyclone". The exclusive "Invincible" arms give every Cyclone fence owner the unfailing dependability that he expects from this "craftsman-built" fence.

This is but one of hundreds of fittings that protect owners of Cyclone Fence from high repair bills. Read about them in the new Cyclone booklet, "Fence—How to Choose It—How to Use It."

GET THIS FREE BOOK ON FENCE!

It will take you into the facts that determine fence quality. It will enable you to protect yourself in a fence purchase. It may save you a costly mistake. No matter how small or large your fence requirements are—get this booklet before buying. Use the coupon.

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Cyclone is not a "type" of fence, but is fence made exclusively by Cyclone Fence Company and identified by this trade-mark

United States Steel Corporation Subsidiary

zation provided"—mark this—"provided that you keep our names a secret."

Magill recognized from the outset that his Federation would come under heavy fire. Therefore the book-keeping has been especially good. It is not possible to discover from the reports of the Government's new alphabetical bureaus precisely how the money is spent, but Magill's accounts are kept to the penny. At intervals his reports go out to the members, urging them to write—or telegraph—their representatives in Congress and present their arguments against legislation injurious to their interest. This is an example of letters sent in by investors who are more fluent masters of the pen:

I write to register my urgent protest against the unsound legislation now before Congress. I beg you to champion

sound public policies against the demagogues of this Administration whose schemes would destroy the fruits of our labors and whose doctrines would destroy honorable dealings and the sanctity of contracts made in good faith. Keep the Federal Government with its radical theorists out of business and give our intelligent business executives some confidence and hope in the future. Vote against Government borrowing for unnecessary public works. Our taxes are already intolerable and our children's future is imperilled by the tax burden which is being created for them in their infancy. Leave some responsibility for self-preservation to the individual. . . .

Magill did not write that letter but thousands of letters like it have been addressed to Congress because of the interest he has stirred up. And so they call him a "propagandist." I started to write about him as such but, now that the job is done, I think of a better word:

"Crusader."

What a Local Chamber Does

ONE of the most stimulating compensations of chamber of commerce work is its intimate contact with human nature. In the guiding concern to nourish and expand the business life of the community, the definition of the will of the citizens is a first principle. In an imperfect world an institution staffed with human beings has its own problem of fallibility.

Naturally enough, there are times when the articulation of the business point of view may collide with the evangelism of representative interests. Frequently enough, the purposes in which a local chamber spends its energies and its resources may invite fault-finding and alienate support. What these abrasive appraisals miss is the steady, driving power of chamber influence exerted for the good of the order. Wherever it is operative, the community is assured that there is an organization continuously on guard in its behalf, ever ready with informed counsel and relevant fact, steadfast against capricious controversy.

An appreciative judgment of the work of the chamber in his hometown is given by William Feather, president of the William Feather Printing Company, Cleveland. He writes:

In every community there is a minority that is in a constant fury over alleged evils which the leading conservative newspaper either ignores or against which it does not militantly campaign. The usual procedure is for this minority to start a rival newspaper, or a weekly magazine, hoping to do a job which, in their opinion, the big daily is neglecting. The community reads the first few issues of this newcomer, and then allows it to die a slow and expensive death.

The reason why the advanced minority

is so seldom effective is that talk comes easier than action and novelty, although applauded for a day, is soon "old stuff."

For example, the Cleveland Chamber of Commerce is so successful and powerful that it is frequently the object of attack by minorities, but as recognized a liberal as Tom Johnson once said that the Chamber contributed much to his continued effectiveness as mayor because, through its conservatism and frequent opposition, he was prevented from generating too much steam and wrecking his career.

We live in a competitive civilization in which profit is the dominant note. Individuals, corporations, cities, states, and nations, are in daily competition with each other. The function of the Chamber is to represent the business interests of Cleveland. It has interpreted these interests intelligently and promoted them sanely. It has not only promoted the interest of business, but has realized the economic advantages of good government, a beautiful and clean city, an active welfare program, and a prosperous and contented citizenry. Within the limits of the community's financial ability on the one hand and perverse human nature on the other, the Chamber has done a good job. It has kept the city in competitive health.

Citizens and members of the Chamber occasionally are irritated by some action of the organization. Some think that the Chamber should hold parades and compose parodies of "Sweet Adeline." Others think that the Chamber should buy whisky for visiting promoters who are looking for factory sites. Still others think that the Chamber should contribute to the local branch of the Civil Liberties Union, and also support the 30-hour week, the six-day bicycle races, the marathon dances, the annexation of hopelessly bankrupt suburbs, and even the substitution at midweek luncheons of the "Internationale" for the "Star Spangled Banner."

The Chamber can't please everyone but, judged by the test that must be applied to any organization which lives by deeds and not intentions, the Chamber's record is enviable and is unsurpassed by

that of any other organization that functions in the community.

Year in and out, nearly 400 members of the organization give freely of their time to the study of scores of important questions that affect the welfare and progress of the city. The approval of the Chamber is the most highly prized endorsement that any project receives, a fact that is universally recognized. The disapproval of the Chamber is regarded as a serious blow wherever it strikes.

Innumerable ideas that led to important results in the development of Cleveland were generated in forgotten committees appointed from the Chamber membership. Among these have been such projects as the Group Plan, the river and harbor improvement, the Community Fund, and the Union Station. If the Chamber did not take the initiative in these enterprises, it did give a helping hand and its help was considered highly important. Of course, the Chamber, like the newspapers, and the baseball fans, endorsed the bonds for the Stadium, but that was done at a time when everyone was a little cockeyed. Perhaps the Chamber erred in the untimely release of a report of a secret committee on subversive activities, but neither that nor any of its other infrequent mistakes should be allowed to blight its long and dignified career. Somebody has to defend fundamental American institutions, even at the risk of being falsely called fascistic by intellectual pinks who scowl at the uncouth provincialism that prompts some coarse Americans to celebrate May Day by hoisting the Stars and Stripes to the top of the flag pole.

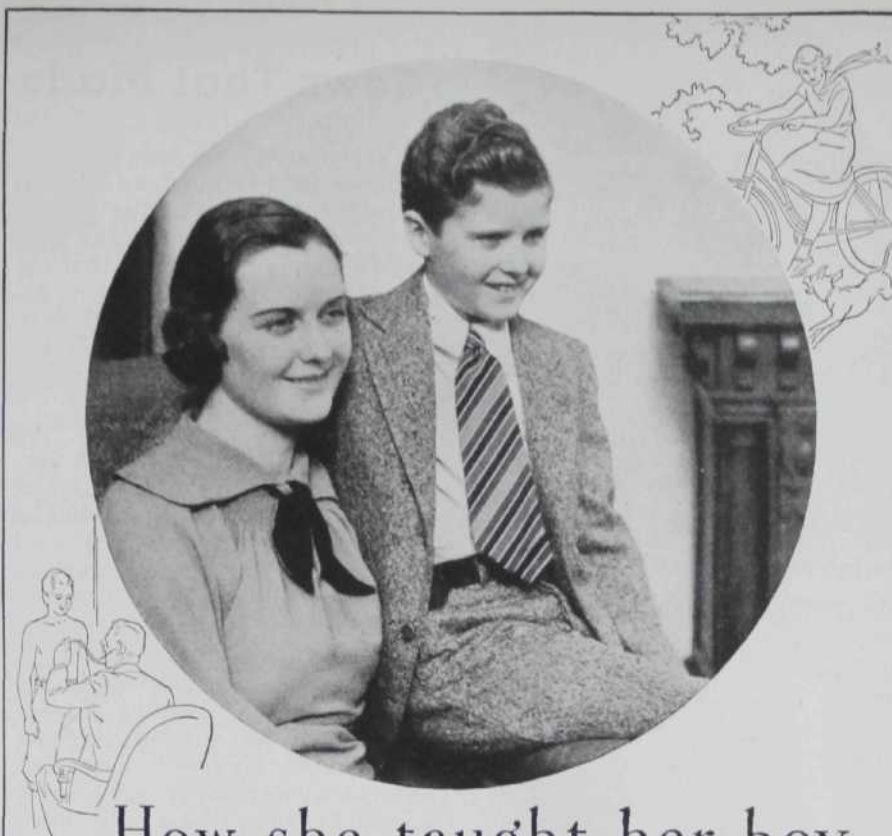
Constantly on the job

OTHER organizations, created for specific purposes, are entitled to their place in the sun, and the public is quick to give them their place when it is earned. But talk doesn't improve lake fronts, and architects' drawings don't build union terminals, or attract important new industries. Years of patient effort are usually necessary for any substantial progress and solid achievement, and those who like to criticize are not much good on the long pull.

In a single depression year, 60,000 individual requests were made to the Chamber for information or help. One man, for example, wants to know whether a telephone solicitation for \$5 to support a foundling hospital is worthy of consideration. Another man wants help in landing an order in St. Louis. Each request is promptly handled.

What does the Chamber think? Fortunately, the Chamber does have a thought on the bills at Columbus that affect the City of Cleveland. Fortunately, the Chamber has a thought on the ordinances pending at the City Council Chamber. Fortunately, the Chamber has a thought on the railroad rates proposed by the Interstate Commerce Commission at Washington. Fortunately, the Chamber concerns itself with Communistic activities.

The thinking and the effort that the Chamber contributes have given the city a foundation that so far has been strong enough to withstand the shocks that it receives at City Hall, Columbus, and Washington, not to mention less vital but equally irritating spots. This is an important contribution to the community's welfare, and it has been particularly significant during the recent critical years. As for the future, there are many problems ahead and there is need for careful and far-sighted planning.



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"When my son approached the youngest insurable age in your company," she writes, "I wanted him to start with an adequate insurance program. Today, nearly 29, he owns \$50,000 in your company . . . \$30,000 of which he has bought in recent years.

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obligations and enjoyed the growth of character that naturally accompanied such an experience."

If you have boys or girls in their 'teens—there is no better way to educate them for the responsibilities of adult life than to give them policies of life insurance, requiring regular premium payments, in a company like the Northwestern Mutual. Aside from the fact that the premium is lower now while they are young—and that they may not be physically insurable later—it will help to develop them into self-reliant, self-respecting, honorable men and women. The coupon below will bring you an interesting booklet.

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News That Made Financial History

(Continued from page 31)

November 10, 1909, Judge Grosscup delivered an opinion of the Circuit Court of Appeals reversing the trial court's action on the ground that the fine was confiscatory and that no attempt to violate the law had been proved. On retrial before Judge Anderson in March, 1910, the suit was dismissed.

The decision under which the Standard Oil Company of New Jersey was compelled to divest itself of control of its numerous subsidiaries was handed down by Chief Justice White on May 15, 1911. Contrary to what one might expect, Wall Street and the business public accepted this decree as bullish and the stock of the parent company rose. The importance of the Standard Oil finding did not lie in the fact that the highest court had sustained the dissolution order. The financial community was already reconciled to that. It was to be found in the revolutionary principles laid down by the Court in its opinion in respect to the application of the Sherman Law. For the first time the Court interpreted the law to mean that only such restraint of trade as monopolizes or attempts to monopolize is "undue," unreasonable, and interdicted by the law.

Decision depressed markets

WHILE court decisions have frequently had important repercussions in Wall Street, none has ever reached the financial markets as severely as a decision handed down by the Interstate Commerce Commission on March 2, 1926. This was the rejection of the Van Sweringen brothers' plan for consolidation of the Nickel Plate, the Chesapeake & Ohio, the Erie, the Hocking Valley, and the Pere Marquette railroads into one vast system. The importance of this decision, which came at a time when railroad stocks were riding the crest of a consolidation boom, may be gathered from these opening lines of the Wall Street story in the New York Herald Tribune the next morning:

The great bull market in stocks, which began with the election of President Coolidge and reached its peak on February 13, after a life of nearly two years, crashed yesterday afternoon. Like an airplane, disabled at a great height, which first slips and then plunges earthward, the market sagged just before 2 o'clock of a dull session, then shot downward at a pace unequalled since the break of 1919.

In the last hour of trading a record was created for number of shares traded in, and there was wild excitement on the

floor of the New York Stock Exchange, where flustered traders crowded about this post and that, striving to save what they might. Losses of one to 15 points were general. Never before, except in historic panics, was the market more demoralized. . . .

Did the element of human frailty play a part in that memorable episode? No one, probably, will ever know, but many skeptics still insist that there was a "leak" somewhere. It may have been coincidence that the break in the market came an hour and a half before the official account of the Commission, or it may have been that, knowing the decision was imminent, "longs" rushed to take their profits and started a stampede.

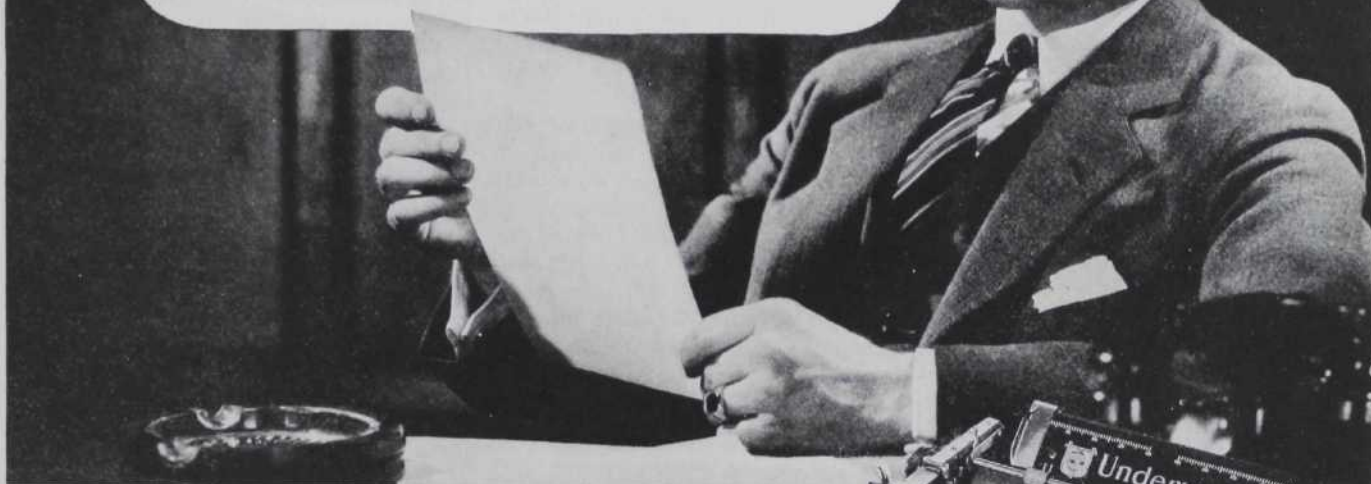
So far as the Commission was concerned, it maintained that every precaution was taken in handling the news release. The report was mimeographed behind locked doors, George R. McGinty, Secretary to the Commission, reported, and the dictation was so divided that no one employee would know everything that was in the document. In order not to arouse suspicion, moreover, no intimation was given until the last minute that the decision was to be handed down that day.

Proven "leaks" on official news releases are rare, although the cry has been raised frequently. One newspaper charged, a few years ago, that the cotton crop figures were known in the Street at 10:56 the day for release, four minutes ahead of the official time and before they were received at the Cotton Exchange. Investigation showed that, although the two ticker companies had received the figures four minutes earlier than the Cotton Exchange, they had received them, not at 10:56 but at 11:00 o'clock, as they were supposed to. Wire trouble had delayed transmission of figures to the Exchange, and they did not arrive until 11:04.

The possibility of "leaks" from government departments is constantly being reduced. Regular releases are protected in every conceivable way. Take these government crop reports, for example. If you could gain admittance to a certain room early on the morning on which a crop estimate is due you would find this situation:

Seven men are bent over rows of figures. The windows of the room are closed, and the shades are drawn and sealed. All telephones have been disconnected, and even the buzzers have been put temporarily out of commission. Guards stand at the door and in the hallways, and once these seven

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Mrs. B— isn't going to get any new clothes this year. She's a typical American mother and housewife. Mr. B—'s income is \$32 a week. There are three children to clothe and feed and educate. Mrs. B— will have to wait. These two are a credit to themselves and their community. What they do with that \$32 would make any efficiency expert's head spin.

But—like millions of others—the B— family is not immune to sudden attacks of illness. Just one unexpected expense throws them back weeks.

Mr. B— doesn't complain. He knows that industry has come to realize that the welfare of its workers is a matter of first importance. He knows his company is operating on little or no profit to keep him and others working. But when debt overtakes these men—then they need constructive help—often a loan to tide them over.

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As an employer of men—you will be interested in the full facts. Send the coupon below for copies of our new-type budget calculator "Money Management for Households" and a sample pamphlet from our "Better Buymanship" library. These will show you how far Household goes to help troubled families escape from the drudgery of money fear.

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men start work no one is permitted to leave the building.

These men are the crop reporting board, which tabulates the figures sent in by hundreds of field agents—figures which, like the pieces of a jig-saw puzzle, are meaningless until they are assembled. When the board's work is completed, mimeographed copies are taken to the reporters' room just before the appointed hour for release, 11 o'clock.

Down the center of the reporters' room runs a chalk line, and along the two sides of the room are rows of telephones. On a stand before each telephone is a copy of the report.

A few minutes before 11 the reporters take their places along the chalk line. Then, just as the minute hand of the clock touches the hour, a member of the board gives the signal for the release. Each man darts for his telephone and starts the story on its way to his office—and to Wall Street.

Perhaps the best example of the results of the air-tight methods of the crop reporting board were evidenced in 1927 when the Government's first cotton estimate placed the new crop at 13,500,000 bales, against a consensus of 14,500,000 in private estimates. Not the slightest hint of this report which sent cotton skyrocketing \$15 a bale in two days had been vouchsafed in advance by the behavior of the market.

"Leak" that could not be found

THE most famous of all "leaks" or imagined "leaks" in Wall Street was the so-called "peace note leak" of December, 1916. That note, in which President Wilson offered his services as mediator to the warring powers, was dated December 18, but it did not appear until three days later. The date of the note and the fact that some of the biggest speculators in the Street had been reported as selling stocks for several days before the note's publication created much ugly gossip and moved Thomas W. Lawson to demand a congressional investigation. Individuals high not only in the councils of finance but in the Administration were freely mentioned as involved. However, the congressional inquiry found no specific evidence of inside selling. The Administration was exonerated.

What had happened, it appeared, was that several of the bigger and more far-seeing operators had been taking their profits, not on the basis of advance information from Washington, but on the strength of the official overture for peace made by Chancellor von Bethmann-Hollweg of Germany on December 12.

The actual publication of the Peace

Note, incidentally, was the signal for an enormous liquidation of securities. Sales on the "big board" on December 21 totaled more than 3,000,000 shares, the heaviest since the Northern Pacific crisis in 1901. Between December 11, when the first definite talk of peace was heard, and December 21, when the Wilson note was made public, Bethlehem Steel, one of the most popular of the "war babies," lost 137 points. It fell 72 points on December 21 alone—from \$572 to \$500 a share.

A market tip delayed

AN example of a piece of important news that was withheld from the Street, not for minutes or hours but for a day and a half, provides a lighter episode. This was the "General Motors tip" in 1926.

Working on a special night assignment, a young reporter for a financial news agency got an exclusive interview with a Morgan partner on the foredeck of the *S. S. Olympic* just before that ship sailed at midnight of Saturday, August 1. In the course of the interview, according to the youth, the Morgan partner remarked that he considered General Motors "cheap" and that it would sell "at least 100 points higher."

Since his paper did not publish on Sunday, the reporter did not report for duty the next day. He intended to phone the story in early Monday morning, but he was busy helping a younger brother find a job that morning and did not call his office until about 11 o'clock. Thus, for a full hour after the market opened, and while brokers on the floor of the Stock Exchange moved about the General Motors post transacting desultory sales within the range of a fraction of a point, a young man was walking the streets carrying a news item which was shortly to give the shareholders of that company the biggest day they had known on the Stock Exchange floor. It seems never to have occurred to the youth that he had anything more important than an exclusive news story. He didn't realize that his interview represented a veritable charge of dynamite which was capable of adding \$70,000,000 to the market value of General Motors in a single day's trading.

Questioned by wireless at sea by his firm, the Morgan partner repudiated the story to the extent that it quoted him as discussing stock prices, and thus maintained the conservative traditions of his firm. He maintained it, however, at the sacrifice of a notable reputation as a prophet. Within 12 months the alleged tip—the hottest in Wall Street annals—had made good.

Mechanical Details

... are Only PART of the Story

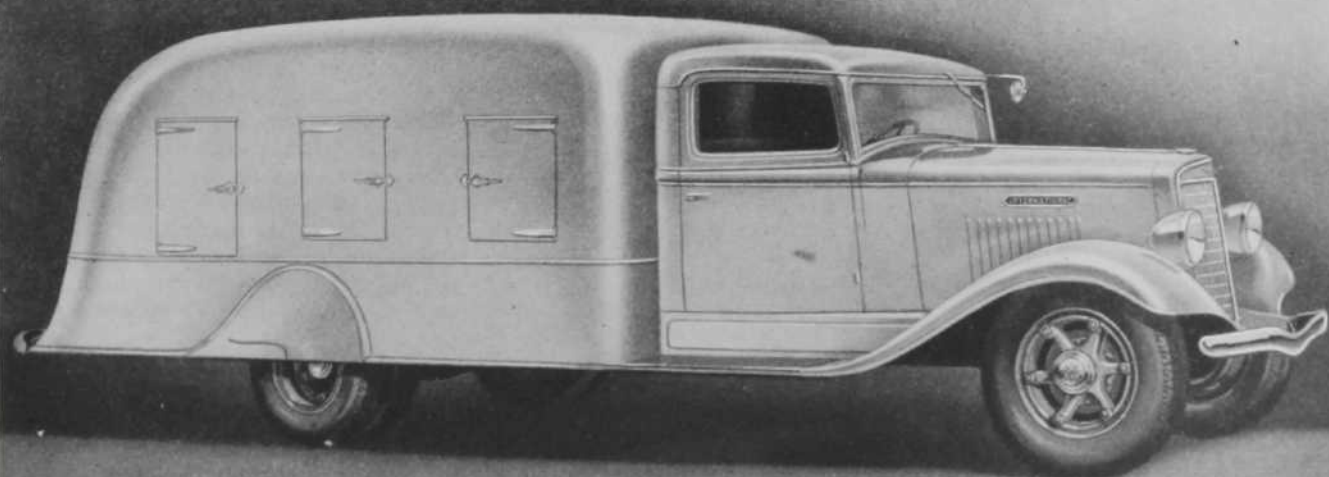
Many claims are made, by many makers, as to mechanical features in trucks, but how much do these claims help you in getting at fundamental truck values? We have all the engineering data for any truck buyer who is interested in technical information. *But there are better ways to judge a truck's value to you.*

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H. P. SOMERVILLE, Managing Director

Wanted—A National Cotton Policy

(Continued from page 22)

Dollars currently made available for exports of American cotton and other goods may be said, roughly, to be the sum of imports of merchandise and net imports of gold. W. L. Clayton logically reasons. In 1932, the United States exported 8,916,430 bales of cotton. In 1933, we exported 8,532,423 bales. In 1934, we exported only 5,752,644 bales.

In 1932, when we exported almost 9,000,000 bales, our merchandise imports were only \$1,325,000,000, but our net loss of gold through excess of gold exports over gold imports that year was \$446,000,000. This left the importation of merchandise and net gold imports combined of only about \$880,000,000.

In 1933, our merchandise imports were \$1,433,000,000 but in that year we also had a net loss of \$173,000,000 in the international movement of gold so that the imports of merchandise combined with the net movement of gold left a balance of \$1,260,000,000 available with which foreigners could buy our merchandise and pay their debts to us.

In 1934, when our cotton exports fell off so heavily, our total imports of merchandise exceeded \$1,600,000,000 and our net imports of gold topped \$1,000,000,000, so that more than \$2,600,000,000 was available for the purchase of our merchandise and payment of debts due us.

As a result of this increase in imports of merchandise and gold, our total exports of merchandise in 1934 were roughly 25 per cent greater than in 1933. That apparently answers the argument that our cotton exports are dwindling solely because foreign customers find it difficult to obtain dollars. If this were true, our exports in other commodities should fall off. But most other commodities show a big increase in exports for 1934 over 1933 and 1932 as the following partial list shows:

Product	Per cent of Increase
Petroleum and petroleum products	18
Auto and other vehicles	110
Tobacco and tobacco manufactures	75
Industrial machinery	80
Fruits and nuts	10
Non-ferrous metals	90
Electrical machinery and apparatus	60
Coal and related fuels	50
Iron and steel semi-manufactures	125

Exports of these nine articles totalled \$665,485,579 in 1933. The 1934 total was approximately \$1,000,000,000. Apparently foreign consumers have the facilities for buying when and if they need to.

Another argument is that the decrease in American cotton exports has been overplayed. Those holding this view point out that, although the season's exports of cotton to last January 31 showed a loss of 41 per cent, consumption of American cotton in foreign countries declined only 19 per cent in comparison with last season's figures for the same period. These percentages indicate that foreigners are drawing on their reserve supplies of American cotton for current spinning requirements. But the spread between current foreign consumption of American grades and actual exports also shows that, when and as foreign consumers desire new supplies, they prefer foreign cotton. For in that period, world cotton consumption totaled 12,000,000 bales, or 300,000 more than a year ago. In spite of this increase, American cotton consumed included but 5,450,000 bales, a decrease of 1,020,000 from the previous year.

Improvement is short-term only

EVEN the modest spurt forecast in American cotton exports over the next few months is a short-term proposition in the opinion of Alston H. Garside, able New York Cotton Exchange economist. He attributes this spurt to the reduction of India's crop to 4,800,000 bales from early season expectations of 6,000,000, the recent rather heavy drawing upon American stocks on the Continent and the fact that with the exception of about 900,000 bales from São Paulo and possibly 1,700,000 to 1,800,000 bales from India between January 1 and July 31, foreign growths will not be in particularly good supply.

Eliminating short-term movements, however, there is no reason to assume that foreign buyers will come back to us as long as our prices are higher than world prices and the rest of the world has a bale left for export. We can no longer afford to sit complacently back in our chair and wait for buyers. Three possible courses are open.

First, the cotton cloth must be cut exactly to fit domestic proportions—the nationalistic argument.

Second, restriction ideas must be thrown out and unlimited production at a world price must again be witnessed—a survival of the fittest and the old internationalist argument.

Third, and this course seems to be gaining support in both trade and official circles, is a possible variation

of the domestic allotment scheme—what Secretary of Agriculture Wallace has been fond of terming “the middle road.”

Let us examine each course carefully, because it will soon become imperative that we embark upon one of them, and none is flawless.

Secretary Wallace himself has said that under “nationalism” if the South continues to restrict its cotton acreage to 25,000,000 or 30,000,000 acres, it will be necessary to “shift” a part of the southern population. He does not say, however, what part of our country they will be “shifted” to—nor what trade they will pursue that is now not already well filled with capable workmen. Texas normally raised about one-third of the American cotton crop, yet sells 90 per cent of her crop to foreign mills.

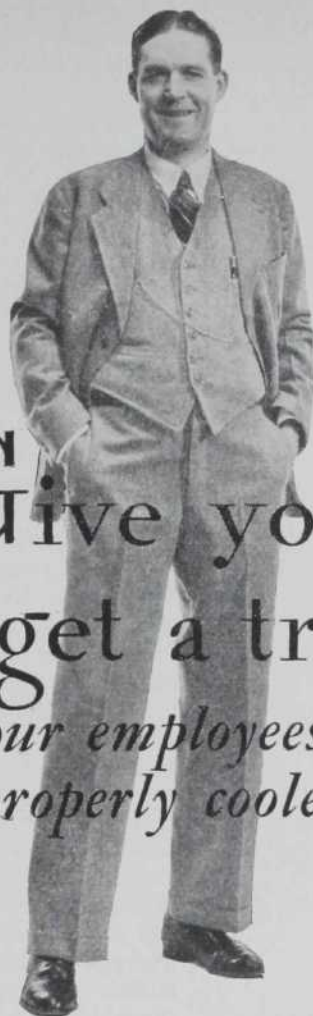
The internationalistic view of the cotton picture is no more encouraging. Relief afforded by the Bankhead bill restricting production has been offset to a large extent by the continued slack in our export trade in cotton. The American surplus (10,746,000 bales on July 31 last) is still a menace. The 12-cent loan pledges of cotton by farmers are expected in trade quarters to reach around 5,000,000 bales by the end of the present crop season. This cotton is to be sold at the discretion of the farmer any time before July 31 and this will be done should American cotton be worth enough more than 12 cents a pound to make it profitable for him.

Government is holding cotton

IF THE farmer lets his loan run to maturity, he must be prepared to pay 12.60 cents, including carrying charges. However—and here is the farmer's out—if by July 31 the price is not satisfactory, the farmer does not exercise his option and the cotton becomes the property of the Government. Taking into account other old hold-over cotton, present prospects indicate that the Government will be left holding some 6,000,000 to 7,000,000 bales because, in the meanwhile, foreign producers will have filled the world requirements.

On top of this, the internationalists would load the market, probably in the 1936 season, because the cotton program has already been set for 1935, an unlimited crop in competition with what probably will be fairly good foreign crops. Without artificial loans, some folks foresee grave danger of a reversion to depression low prices while the export fight goes on. Farm income from cotton and seed, which is estimated to have been \$676,000,000, in 1934 might again shrink to the 1932 figure of \$473,000,000 even though gins, rails, and

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banks might be busy and warehouses jammed.

That is certainly a bleak picture. However, it has some redeeming features, outside of the farmer angle—and on the farmer angle there is decidedly room for improvement in management and cotton costs. Walter Parker of New Orleans, one of the keenest of the southern economists, states that cotton can be profitably produced for export in Texas at seven or eight cents a pound. In his opinion, there is not a cotton plantation in the South that has anywhere nearly reached true economic operation. All of them can materially lower their costs if they employ proper methods. As long as prices are good, however, there is no incentive to change the present systems.

For one thing, there is the mechanical cotton picker, which may have as profound a social repercussion in the South within the next few years as Eli Whitney's cotton gin did 140 years ago, particularly on tenant farming. The present system of picking in the South is largely hand labor. Hand labor produces about 100 pounds of seed cotton a day on the average. Approximately 1,500 pounds of seed cotton are needed to make a 500 pound bale. In other words, the average steady picker over the three-month picking season may make three bales.

To lessen cost of picking

A MECHANICAL picker invented by a pair of Texan brothers, John D. and Mack D. Rust, has been demonstrated at the Delta Experiment Station, Mississippi and other parts of the South. In seven and one-half hours, this machine picked more cotton than a good hand laborer can pick in an entire season. This machine has already started to catch on in a mild way in some parts of the South under direct operation of the Southern Harvesting Co. (created by the brothers) and another assembly plant is to be set up in California shortly.

Some growers feel that cotton could be raised for five cents a pound with this aid. That change, however, would raise the social problem of a negro migration to other sections. The tenant farmer would probably be hard hit, as owners of large plantations would work their own land with hired labor. About 53 per cent of this country's farmers operated leased land in 1930.

There remains, then, the "middle road." George Sealy, who heads the Galveston Wharf Company which handles more than 2,000,000 bales of cotton a year, presents that case!

"The only solution, in my opinion,

will be the adjustment of our high protective tariffs and a free hand at world trading, or a premium to be paid upon domestically consumed cotton commensurate with those premiums now accorded the industrialist in his American protected markets. The farmer pays the industrialist roughly 30 per cent above the world price on harness, shoes, razor blades and sewing machines. Why then should not the industrialist pay the farmer a 30 per cent premium over the world price upon his cotton sold in America? The industrialist unrestrictedly sells his surplus products abroad at world prices, so why not permit the cotton farmer to do the same? There are no export restrictions upon razor blades—why upon cotton? Until such time as the complexities of our tariff system are adjusted, which seems a forlorn hope, our cotton farmer should have an even break with the factory hand in a premium for his product when sold in America."

Something along that line has already been advanced in certain favored Administration quarters, with, however, an outside limit of 40,000,000 acres on cotton planting, compared with the 32,000,000 goal this year. Outside of the United States the proposals are to sell cotton for what it will bring.

The Agricultural Department Committee of the U. S. Chamber of Commerce has improved upon that idea to some extent. In a recent report, they recommend serious consideration of a plan whereby all cotton would be sold on the basis of world prices, but, to protect the American standard of living, the cotton producer would receive benefit payments from processing taxes on only that percentage of the crop used domestically. Cotton manufactured in the United States for export would continue to be exempt from processing taxes.

The rub in this picture is the threat that cotton substitutes may be found that might further seriously curtail domestic cotton consumption, particularly if cotton prices get too high. While this is generally a matter for the future, it is a fact that domestic use is also showing some slight signs of wear and tear as a result of the high prices. With the processing tax which the Government is collecting to pay for the acreage reduction (4.2 cents a pound) the American consumer is paying almost 18 cents a pound for his raw cotton. The NRA increases in cost of textile manufacture, the increase of 70 per cent in hourly wages and reduction in the work week from 54 hours to 40—excellent social reforms as they undoubtedly are—have all

added to costs and thoroughly demoralized parts of the cotton textile industry.

In 1933, American consumption of cotton included 6,122,767 bales of domestic varieties. In 1934, our consumption was only 5,320,334 bales, in spite of the fact that 1934 was a year of increased consumption of most commodities. We have almost completely lost our export markets for cotton goods. Our exports of cotton textiles are running almost 50 per cent below normal, and normal represents about seven per cent of the output in American mills, giving employment to about 35,000 workers.

Cut rayons as spun on cotton machinery, either with or without admixture with cotton, are steadily increasing in use and are displacing cotton to a considerable extent, the U. S. Institute for Textile Research, Inc., of Boston reports. High cotton prices even domestically will undoubtedly encourage this production. Rayon output in 1934 set a record.

Flax tow, or waste, is being spun in some English and Italian mills in competition with cotton and upon cotton machinery, but it has never been demonstrated when cut to cotton lengths that it can become a real competitor of cotton.

Dr. A. B. Cox of the University of Texas has advanced what may be a practical suggestion for avoiding too high consumer cotton prices should the domestic allotment plan be brought into operation. He suggests that funds for carrying out this plan be taken from tariff revenues. This would do away with processing taxes. However, it would necessitate tariff barriers, one of the things thinking southerners are eager to blast away.

The South wants to export

THERE is no question but that the South abhors the idea of losing our export markets in cotton. Nationalism raises to the intelligent southerner a flock of associated difficulties, both social and agrarian. On the other hand, no one is eager to steer the South back into the rut of four-cent cotton prices where it was mired some years ago. Between these two courses apparently lies a line of action that may eventually prove of most benefit to the South. Whether it will require a reduction in growing costs for at least that portion of the crop that normally is exported, and some variation of the domestic allotment plan or federal export subsidy to keep a foothold on our fast-slipping foreign markets are moot questions. Certainly, however, it is imperative that some definite move be made shortly to formulate a permanent national cotton policy.



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Responsibility for Relief

By HARPER SIBLEY

Acting Chairman, Committee on Relief Activities
Chamber of Commerce of the United States

STATE and local government agencies should be primarily responsible for initiating relief-public works projects, in the opinion of the U. S. Chamber's Committee on Relief Activities. The committee's report, which has been submitted to the Chamber membership and will be considered at the annual meeting, analyzes the reasons for the increase in the numbers on relief and discusses the President's proposed public employment program.

The program, the Committee points out, introduces an entirely new principle—that the Federal Government assume initial responsibility for providing work for needy unemployed workers instead of leaving this initial responsibility with the states and localities. This is a radical departure which fundamentally alters the established relations of the states to the Federal Government. Concerning it, the committee says:

Centralization of financing and administrative responsibility for unemployment relief in the form of a relief-public works program seems to run counter to the President's statement that, "The Federal Government must and shall quit this business of relief." In any case it will encourage the illusion that taxes for federal expenditures come from some source other than the people living in the several states. It will place in the hands of a centralized bureaucracy, which will inevitably set up uniform standards for the whole nation, the administration of government activities which are better administered, and in the long run more efficiently administered, by state and local agencies in close touch with the differing conditions in various sections and with the individuals needing relief. The temporary conditions created by an emergency should not be made the basis of a long-term policy which will radically alter the established government structure.

The Committee also believes that the appropriation requested to finance the President's program, which has since been passed by Congress, is entirely too large. It calls attention to the fact that, on January 31, unexpended balances of emergency appropriations and funds earlier provided totalled billions of dollars and that this money was available for purposes within the scope of the pending bill. Liberal expenditures until June 30 would still leave a substantial balance in these funds.

The Committee's conclusion was that an appropriation not exceeding

\$2,000,000,000—and probably less—would have allowed expenditures in the next fiscal year on a larger scale than the Government has yet made for these purposes.

Turning to work relief programs, the Committee says:

Work-relief programs are limited by the practical possibilities of planning and supervising worth while work which is not in competition with private enterprise and is not a substitute for customary or standard public works projects which would be carried out within a reasonable time in any case, or a substitute for routine maintenance and repair work. The effort to provide all employable persons on relief lists with work without regard to these limitations has resulted in many useless or poorly supervised projects. The morale of workers on such projects is injured rather than helped.

Recruiting workers from relief lists on the single assumption that it is better for them to work than to be idle has placed a premium on projects which utilize only unskilled labor. Neither human nor physical values are increased by work which is entirely unsuited to the individuals doing it and the value of which is open to serious question.

Pressure to expand the work-relief program has also led to approval of customary or standard public construction and maintenance projects as work-relief projects. Local government units in many instances have used relief labor for regular repair and construction work. This violates a major principle which should be in a relief-public works program by depriving men of work they would otherwise have in the normal course. Search for projects has also led to manufacturing and other undertakings which compete directly or indirectly with private industry. Obviously it is an unsound policy to deprive men of work in order to give work to other men on relief.

A local responsibility

THE principles which should be followed in work-relief programs for workers destitute through unemployment can best be applied if the initiation and execution of relief works are a responsibility of state and local agencies. In the opinion of the Committee the principles which should be applied by state and local agencies are:

1. For those out of work, employment on useful public construction projects not created merely for the purposes of relief should be encouraged.

2. The compensation for relief-public works should be on a substantially lower scale than the going rate of wage in private industry so that there will then be no incentive for the worker to stay on

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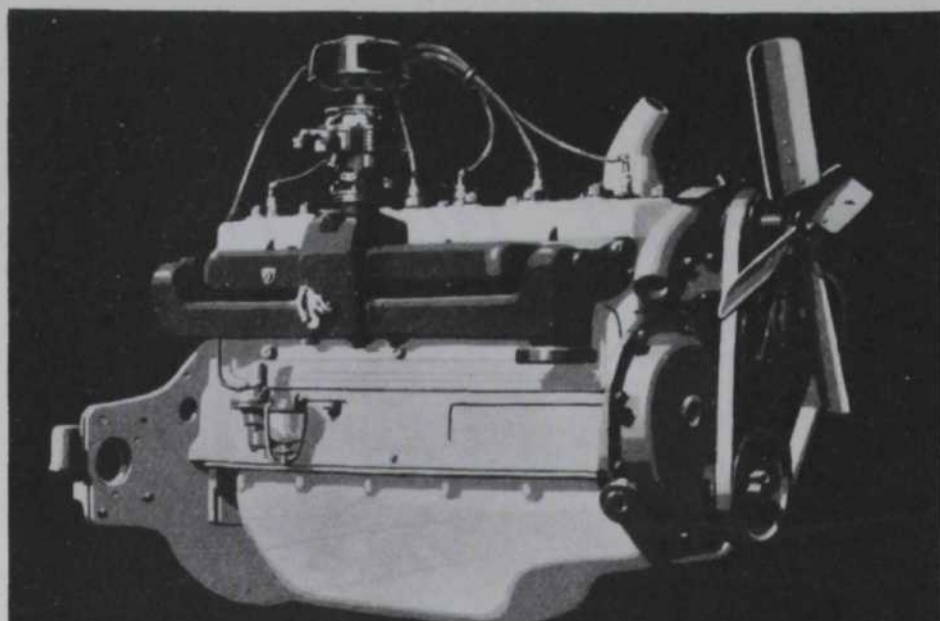


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government work when jobs are available in private industry.

3. Relief-public works should be planned on a flexible basis, within the limitations of available financing resources. This will permit tapering off as normal employment can reabsorb workers.

4. Unemployed workers should be recruited for relief-public works through public employment services on the basis of merit and qualifications for the work. Consideration should be given to workers on relief rolls as far as consistent with this principle.

5. Opportunities for public employment should be provided so far as practical near the homes of unemployed workers to safeguard the interests of established families. Emphasis should therefore be put upon many scattered projects rather than upon a few large concentrated projects.

6. So far as possible the work should be designed and carried out by contract under experienced contractors, engineers and architects.

While the Committee believes that, under these conditions, useful work can be provided for large numbers on relief, the report also emphasizes that to attempt public employment for all unemployed workers on relief, regardless of their skills, aptitudes and dependability, would enlarge the burden of taxation unjustifiably and thus proportionately curtail the employment which private enterprise can give. On this the Committee says:

There can be no doubt of the improvement in business activity and private employment, and there are reasons for expecting further improvement and further increase in private employment. Every care must be taken, therefore, that programs for relief of unemployment do not jeopardize the only satisfactory solution of the problem, both for the unemployed worker and for the whole community—that is, expanding and orderly private employment.

The report calls attention to the need for continuing direct relief for many of the unemployed who are destitute and who cannot be included in work-relief programs. For giving this direct relief, the Committee suggests two principles.

1. Relief to those in need of food, clothing and shelter is primarily the responsibility of states and their local governments and private efforts; the Federal Government should participate only when absolute necessity is demonstrated and federal participation should always take the form of federal aid to the states in discharging their responsibility.

2. Unemployed workers on relief should be required to register with public employment services. Working arrangements should be agreed upon by relief administrations and public employment services for frequent checking of relief lists and employment registrations to insure that workers on relief do not overlook or refuse opportunities for work for which they are qualified. Every care should be taken to prevent relief given at public expense from sustaining workers who choose to remain in unemployment when employment is available to them.

Troubles of the Railroads

SINCE 1916 the earnings of the Class I railways of this country—those with annual revenues of a million dollars or more a year—have gone from bad to worse. Last year the net operating return on their property investment was only 1.77 per cent. Excepting the period of government operation, and the return for 1932, it was the lowest in 18 years. If there is agreement that something is wrong with the railroads, there is no unity on remedies.

From Government in the person of the Federal Coordinator of Transportation comes a proposal to put all transportation—buses, water carriers, pipe lines, and possibly air services—under the jurisdiction of the Interstate Commerce Commission. If the suggestions are not approved, Congress and the public are warned that Government ownership of railroads probably will be "inevitable."

When the Transportation Act went into effect, February 28, 1920, returning the railroads to private management, the policy of the Congress was declared to be "to foster and preserve in full vigor both rail and water transportation." Neither air nor highway carriers was mentioned. Their rapid development was not foreseen. To that defect of vision the railroads can reasonably point as a source of today's complicated and costly competition.

Railroads hurt by family fights

THE troubles of the railroads, Commissioner Eastman thinks, are much of their own making. "... The individual handling of many matters by a host of separate and often hostile carriers is the thing above all others which stands in the way of the best possible service at the lowest cost."

To feel that the railroads are continually squabbling among themselves for the bare bones of sustenance argues an internal ill will as amazingly stupid as it must seem savagely predatory. No partisan prompting is needed to suggest a broader explanation for the unhappy plight of the railroads. Service and its cost are inescapably affected by the shrinkage of traffic, and by the price and wage variables which management must face. Coordination of individual policies can be convincingly pleased in the public interest. It will be prompted at an excessive price if it requires the sterilization of company initiative.

—M. T.

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The Case Against the 30-Hour Week

A UNIFORM 30-hour week is being advocated not only as an expedient for reducing unemployment, but as a means for accelerating economic recovery. The average standard work week for enterprises subject to NRA codes now closely approximates 40 hours. Current average hours actually worked, however, are somewhat less than 40 a week. Should working schedules of all employees be limited to 30 hours, a substantial increase in employment would be theoretically possible. But lasting gains in employment cannot be attained through so simple a formula. The unsoundness of the theory that employment and volume of business can be increased by reducing hours is readily demonstrable.

Shorter hours cut production

ARBITRARY restrictions on working time necessarily limit total output. In actual practice, shorter hours mean that each employee performs less work. Lower individual output cannot be completely offset by adding new workers in each establishment, as the rate of activity in every enterprise is limited by the amount of its productive facilities.

Every decline in output within individual plants exerts accumulated influence in contracting total volume of business. Progressive expansion in production is, however, the prerequisite of any enduring increase in employment. People cannot increase their consumption of goods and thus raise their standards of living unless more goods are produced. Hence, instead of hastening business revival, a uniform 30-hour week would lessen production, reduce standards of living, and create new unemployment.

To some extent, it might be possible to increase the output per man-hour by a shorter week. If, however, man-hour productivity should be increased until the same output per individual could be produced on a 30-hour week as on a substantially longer schedule, it is obvious that no additional employees would be needed. Should this result be obtained, the immediate objective of shortening hours would be defeated.

To bring about a return to pre-depression living standards and to previous high levels of national income, production *per capita* must be restored to its former volume. An average 40-hour week would have been required in 1934 to restore total volume of employment and business

to 1929 levels, according to the findings of the Brookings Institution. Had a 30-hour week been in force in 1934, the total maximum volume of business that could have been reached in this country, with present facilities and with full utilization of the current labor supply, would have been reduced to 90 per cent or less of the 1929 volume.

Survey shows difficulties

THE barriers to expansion in output that a 30-hour week would impose could not be offset by fuller utilization of productive facilities. Contrary to popular belief, there was no general overexpansion in plant capacity before the depression. Moreover, the total labor force available in 1929, a Brookings Institution survey revealed, was no greater than that needed to man unutilized plants under practical operating conditions. For manufacturing industries alone, it would have been necessary to increase the labor supply available in 1929 by nearly 5,000,000 workers to restore that year's volume of production, assuming that the same rate of efficiency was maintained.

Prevailing levels of business and employment in the principal fields of industry vary so greatly as to necessitate continued maintenance of wide differentials in hours of work. Some important industries are now employing from 25 to 75 per cent more employees than they did in 1929. In other industries, employment is still less than 50 per cent of the pre-depression volume.

A uniform work week short enough to divide all work now being performed among the entire body of employable persons would entail immediate relocation of millions of workers in new occupations and in different localities.

When working schedules are shortened, some changes either in employees' weekly earnings or in hourly wage rates are unavoidable. Reductions in hours without increases in wage rates merely divide current work and wages among a larger number of job holders. In effect, those already employed, who presumably are more capable workers, would be required to give up a portion of their wages to provide incomes for those now jobless. But proponents of the 30-hour week insist that there should be general advances in wage rates sufficient to maintain employees' weekly earnings at the same levels

for the shorter work week as for the longer schedules. Should this be done, however, it would necessitate increases in labor costs and in selling prices, and tend to contract total volume of business.

The wage income of employees can come only through their contribution to production. Higher output is a prerequisite of any general increase in wages. Wage increases effected to offset reductions in working time would not be based upon added output per employee. On the contrary, individual output would be reduced. If the added labor costs resulting from increases in wage rates should be counteracted by increased economies of operation and greater productivity per employee, this would obviate the necessity of hiring additional workers.

To the extent that improvements in production processes could counteract the added labor costs incident to the reduction in hours, the opportunities for increasing employment would be proportionately diminished.

It is the purchasing power of the workers' earnings in terms of goods that can be bought that determines their standards of living. With fewer goods being produced and at higher prices, standards of living of persons already employed would be materially lowered.

Further downward adjustments in hours, accompanied by upward adjustments in wage rates, applying in all fields of business would intensify present disparities in price relationships. Present efforts to restore parity of purchasing power between farmers and industrial workers would be largely nullified.

Effects on foreign trade would be particularly serious, as the higher costs and selling prices would produce a marked shrinkage in the demand for goods made for export, and for products competing with foreign made goods in the domestic market.

—ARTHUR B. GUNNARSON
Dept. of Manufacture,
U. S. Chamber of Commerce

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What Bankers and Investors Discuss

THERE was a time when business men shook their heads and said of some competitor or acquaintance who had succumbed to ill fortune:

"Well, the banks have got him at last,"

—as if the banks were thugs lurking up an alley waiting to sandbag any business that might go by.

We have to change that phrase. We shall shake our heads sadly and say:

"Well, the Reconstruction Finance Corporation has got old Williamson."

For the RFC, the biggest bank in the world, is learning that banking isn't just lending money, it's figuring on how to get it back again. So the RFC now has on its hands:

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Reserve Board and politics

OPPOSITION to certain phases of the proposed banking act of 1935 is beginning to take shape. This opposition is directed almost entirely at Title II of the proposed legislation dealing with the make-up and powers of the Federal Reserve Board.

So far only a committee of the House of Representatives has considered the bill and it is likely that the real battleground will be in the Senate Committee. However, the American Bankers Association has made its protest and proposed amendments. Here's the chief argument of the bankers:

The Committee [of the A.B.A.] believes that many of the changes in the Federal Reserve Act proposed in Title II of the bill are of a constructive nature and should have the support of bankers, if the method of appointment and the tenure of office of the members of the Federal Reserve Board, in whose hands it is planned to concentrate greater power than ever before, could be so altered as to insure, as far as possible, the absolute independence of the Board

from partisan or political considerations.

The bankers would accomplish this purpose "by the retirement from the Board of its ex-officio members, namely, the Secretary of the Treasury and the Comptroller of the Currency, and by reducing the appointive members of the Board to five as soon as a vacancy occurs."

"Open market" control

IN ADDITION to the proposed make-up of the Federal Reserve Board the bankers' committee objected to the sections which defined the membership and powers of the Open Market Committee. The bankers said:

Neither the original text of Section 205, providing for the Open Market Committee of three members of the Federal Reserve Board and two Governors of the Federal Reserve Banks, nor the subsequent suggestion which has been made that authority over the open market operations be vested in the Federal Reserve Board, which would be required to consult with a committee of five Governors selected by the 12 Governors before adopting an open market policy, a change in discount rates or a change in member bank reserve requirements, seems to us to constitute a satisfactory solution of the open market problem.

Our suggestion is that the Open Market Committee shall consist of the entire Federal Reserve Board (reduced to five members) and four Governors of the Federal Reserve Banks, selected by the Governors of the 12 Federal Reserve Banks annually, each member of the Open Market Committee having a vote in the deliberations of the committee on the three subjects to be entrusted to it, i. e., open market policy, change in discount rates or change in member bank reserve requirements.

Clear vision needed

ONE of the most important functions of the Federal Reserve system is in its control of open market operations. These operations consist principally in buying or selling of obligations of the Federal Government, bankers' acceptances and bills of exchange. Buying by the Federal Reserve Banks of governments and acceptances releases money to the market; commercial banks acquire larger reserves upon which credit may be extended; money is plentiful. A selling operation, on the other hand, withdraws funds, commercial bank reserves are depleted and money tends to become tight. The latter operation acts as a check on speculation by making credit less easily available. Speculation may further be checked by an increase of the rediscount rate or by altering the

qualifications of paper eligible for rediscount.

Let's set the stage and try to see how things happen through the action of the Reserve Board and its open market committee. The Smith Manufacturing Company borrows from the Jones National Bank to buy copper or hides or other raw materials. A thousand, ten thousand other Smiths borrow from other Joneses. The time may come when speculation in goods or in shares becomes rife. A far-sighted open market committee urges or insists that Federal Reserve banks sell their governments and their acceptances, and perhaps raise the rediscount rate. In the course of the selling operation, the "reserves" of the Jones banks, which are merely deposits with a Federal Reserve Bank, are depleted since it must draw checks on the Reserve Bank to pay for the securities and acceptances bought by itself or its customers. Its loanable cash is lessened. Should the Jones banks wish to rediscount paper with the Reserve Bank to replenish its cash, it finds that the cost is increased because of the rise in the discount rate. Smith comes again to borrow and finds a banker less able to lend. Speculation is checked, a nominal "prosperity" drops a little, but a crash is avoided. That's the theory, but the ideal member of an open market committee would need wide and clear vision and courage to know when to act.

Too much money anyway

NATIONAL banks apparently have accepted the Treasury Department's abolition of national bank currency without any serious protest. Once the national banks' power to issue currency was the source of tidy profits as well as a mark of distinction. Surprisingly few mourners are bewailing its passing.

In the good old days national banks could deposit with the Treasurer of the United States \$100 in two per cent government bonds and receive approximately \$95 in national bank notes. They could lend this \$95 for whatever interest they could get and at the same time the interest on the government bond posted with the Treasurer would continue to come to them.

The arrangement was attractive and profitable. Perhaps one of the reasons that the national banks are not more reluctant to see it go by the



Safeguarding the Power of 75,000,000 Horses

With the power of 75 million horses, *live steam* surges through thousands of industrial boilers. Here is brute force that would bring disaster if it broke bounds. Yet, within its shadow, workers can labor in safety, thanks to the expert boiler-inspection service rendered by casualty company engineers...while industry, secure in the knowledge that it is protected against possible financial loss, can plan more confidently ahead.

This is but one of the services of the Maryland. Its safety engineers bring manufacturers plans to cut costs, to reduce idle machine hours, to decrease the rate of accidents among

employees. Maryland protection is available also to wholesalers and retailers...extending even to the operation of their delivery fleets.

The Maryland provides protection against explosion of residential boilers and hot-water heaters, loss by burglary and many other hazards. It gives the motorist, no matter where he is, day or night service that is no farther away than the nearest telephone or telegraph office.

Carrying on the Maryland tradition are 10,000 agents in every State of the Union...in Alaska, Canada, Cuba, Porto Rico, Mexico, Canal Zone and Hawaii.

The Maryland writes more than 40 types of Casualty Insurance, including...Aircraft...Automobile...Accident and Health...Burglary...Boiler...Elevator...Engine...Electrical Machinery...Fly-Wheel...General Liability...Plate Glass...Sprinkler Leakage...Water Damage...Workmen's Compensation...More than 20 bonding lines, including Fidelity... Bankers' Blanket...Check Alteration and Forgery...Contract...Depository...Fraud...Judicial...Public Official Bonds

MARYLAND Casualty COMPANY

SILLIMAN EVANS, President

BALTIMORE, MARYLAND

Guaranty Trust Company of New York

FIFTH AVE. OFFICE
Fifth Ave. at 44th St.

MAIN OFFICE
140 Broadway

MADISON AVE. OFFICE
Madison Ave. at 60th St.

LONDON

PARIS

BRUSSELS

LIVERPOOL

HAVRE

ANTWERP

Condensed Statement, March 31, 1935

RESOURCES

Cash on Hand, in Federal Reserve Bank, and due from Banks and Bankers . . .	\$ 410,184,920.21
Bullion Abroad and in Transit	11,764,616.00
U. S. Government Securities	462,576,971.28
Notes of Reconstruction Finance Corporation	20,000,000.00
Public Securities	67,905,229.34
Stock of the Federal Reserve Bank	7,800,000.00
Other Securities	22,224,861.78
Loans and Bills Purchased	515,774,631.71
Items in Transit with Foreign Branches	344,571.11
Credits Granted on Acceptances	29,608,878.83
Bank Buildings	13,743,019.39
Other Real Estate	243,193.44
Real Estate Bonds and Mortgages	2,571,808.55
Accrued Interest and Accounts Receivable	17,053,245.37
	<u>\$1,581,795,947.01</u>

LIABILITIES

Capital	\$ 90,000,000.00	
Surplus Fund	170,000,000.00	
Undivided Profits	7,131,578.78	\$ 267,131,578.78
Dividend Payable April 1, 1935	2,700,000.00	
Foreign Funds Borrowed	239,360.00	
Accrued Interest, Miscellaneous Accounts Payable, Reserve for Taxes, etc.	12,334,315.92	
Acceptances	\$77,187,367.97	
Less: Own Acceptances		
Held for Investment	47,578,489.14	29,608,878.83
Liability as Endorser on Acceptances and Foreign Bills		898,710.00
Deposits	\$1,253,959,784.38	
Outstanding Checks	14,923,319.10	
		<u>1,268,883,103.48</u>
		<u>\$1,581,795,947.01</u>

WILLIAM C. POTTER, Chairman

W. PALEN CONWAY, President

EUGENE W. STETSON, Vice-President

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GEORGE G. ALLEN . . . Vice-Chairman, British-American Tobacco Company, Limited, and President, Duke Power Company
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EUGENE W. STETSON Vice-President
CORNELIUS VANDERBILT WHITNEY . . . Banker
GEORGE WHITNEY . . . of J. P. Morgan & Co.
THOMAS WILLIAMS . . . of I. T. Williams & Sons
L. EDMUND ZACHER President, The Travelers Insurance Company

boards is that they now have an overabundance of currency and credit with little or no place to lend it.

The Treasury killed off national bank currency in two ways. There were two types of national bank money. Originally national banks could place with the Treasurer any government bond bearing not more than two per cent interest and receive notes for it. This was the first class. In 1932, however, the law was amended for a period of three years so that any bond bearing not more than 3½ per cent interest could be used as collateral for notes. This was the second class.

The Treasury, despite the contrary recommendation of Comptroller J. F. T. O'Connor, did not suggest to Congress that the three-year arrangement on bonds bearing interest between two and 3½ per cent be extended after its expiration this summer. This marked the second class of national bank notes for extinction.

Then the Treasury announced that it would call for redemption in cash all of its two per cent bonds. There will be left, therefore, no bond which a national bank can post as collateral for notes.

One detail in this program did bring a protest from the national banks. Comptroller O'Connor warned national banks that the privilege of issuing notes on bonds with interest higher than two per cent would expire. He pointed out that if the banks wanted to keep these notes in circulation they would have to buy two per cent bonds and substitute them for the existing collateral. Some of the banks took his advice, buying two per cent bonds when they were above par. Then the Treasury announced it would pay off all two per cent bonds at par leaving the banks with a loss.

To the banks it appeared that they had been invited into a trap. Actually the coordination in the Treasury Department broke down, and O'Connor did not know that Secretary Morgenthau planned to call the two per cent bonds.

Disposal of the gold "profit"

THE Treasury Department has quietly solved two of its most vexatious problems. The first was what should be done with its so-called "profit" in gold arising out of dollar devaluation. The second was the handling of bond refunding.

As long as the gold profit remained unallocated on the Treasury's books it gave rise to the fear that it would be put to some inflationary use by edict of Congress or of the executive. As long as the Treasury had large and frequent bond maturi-

ties it was at the mercy of any caprice in the bond market. Now both problems are out of the way.

The Treasury disposed of that part of the gold profit which had not been placed in the \$2,000,000,000 stabilization fund by announcing that it would be used to pay off all of the outstanding Panama Canal bonds and Treasury consols, amounting to \$725,000,000. Certificates representing the gold in the gold profit were turned over to the Federal Reserve banks which in turn issue their own notes, with the gold certificates as backing, to redeem the bonds.

By using the gold to retire these particular bonds the Treasury astutely avoided the most inflationary aspects of the gold profit. It is true that the Reserve banks will have to issue new currency based on the gold profit to retire the Panama Canal bonds and the consols. On the other hand, these particular bonds have been used by national banks as the basis for issuing national bank currency. Their retirement means that national bank currency also must be retired. Thus the Treasury's transaction, in terms of currency, boils itself down to the replacement of national bank money with federal reserve money with no change in the total volume of currency.

Refunding sums completed

WHILE it solved the gold profit problem with a hidden ball play, the Treasury has used straight football to break through its bond refunding problem. This administration inherited the task of refunding some eight billion dollars in war-time bonds when the bond market was uncertain.

It has substantially completed this task during the past two years by calling all of the First and most of the Fourth Liberty Loans for refunding in advance of maturity. The last of the Fourth Liberty Loan, biggest of them all, probably will be called before this is published, on April 15, for redemption October 15.

A glance at the public debt statement shows the surprising fact that, with the last of the Fourth Liberties out of the way, the Treasury will not have any more bonds that are even callable until 1940. In other words, bond refunding is over and done with for the next five years.

Growth of baby bonds

UNITED STATES savings bonds, the government's so-called baby bonds, have grown into a lusty infant. Sales during March, the first month of their existence, were almost double what the Treasury Depart-



... The Cooling Hand

No single factor has exerted greater influence in the stabilization of business and individuals during the past few years than insurance protection. A cooling, soothing hand on the brow of the stricken, it has played a leading role in the restoration of public confidence.

• The Standard of Detroit is proud of its affiliation with such an important factor in economic welfare . . . proud of its own record of service through 50 years. Since 1884, the Standard has paid over \$139,000,000 in claims. Today more than a million people enjoy the security afforded by Standard insurance and bonds. • Standard representatives everywhere are always available for consultation and service. Their experience will be found most valuable in arranging a program of casualty insurance and bonding protection for you.

Automobile Insurance • Personal Accident and Sickness • Burglary and Holdup • Plate Glass Breakage
General Liability (all forms) • Workmen's Compensation • Fidelity and Surety Bonds (all forms)

STANDARD
ACCIDENT INSURANCE COMPANY
of Detroit

 • POPULAR FALLACIES OF ADVERTISING •

"A Good Product Sells Itself"

ELECTRICITY is a good product and people want it. To make it more widely available is one of the tenets of the New Deal. Yet to induce the public to use electricity increasingly, this industry has found it necessary to spend \$120,000,000 during the past 12 years in national magazine advertising alone, not to mention its expenditures in newspapers, radio, booklets, house organs, envelope inserts, displays.

As a result, the number of domestic electric customers has increased 117% since 1921. The average use of kilowatt hours per customer has increased 77%, while the average cost per kilowatt hour was decreasing 37% in that same period.

Once people have electricity in their homes, it would certainly seem that they should make use of it, but it took \$11,000,000 worth of magazine advertising (since 1921) to secure an 86% increase in the use of lamp bulbs . . . and surveys show that the average home is not yet well-lighted. However, as a result of this increased market, the cost of bulbs came down 58% during that thirteen-year period.



AS an advertising man you resent unfair attacks upon the integrity of your profession. You appreciate a defense like this spread before 260,000 fellow business men, your clients. ¶Every business suffers likewise from fallacious thinking—

coal, ice, banks, railroads, wholesalers. They likewise esteem a stout defender. ¶For 20 years NATION'S BUSINESS has fought popular fallacies of every business. That is one reason why it holds the loyalty of its readers

Thus, it is evident that even in the case of the most desirable of commodities, pressure is necessary to force the sale beyond a certain "gravity market" and to obtain the volume necessary for lowered prices. The most efficient method yet devised for applying this pressure is advertising.



NATION'S BUSINESS

260,000 CIRCULATION

PUBLISHED MONTHLY AT WASHINGTON BY THE UNITED STATES CHAMBER OF COMMERCE

This is one of a series of thirteen advertisements, now available in brochure form. Address, Nation's Business, Washington, D. C.

ment had expected them to average.

Approximately \$50,000,000 worth of the bonds, maturity value, were bought by small investors during March. The Treasury had estimated roughly that sales would average between \$20,000,000 and \$25,000,000 a month. Some bulge in sales during the first month was expected, but a doubling of the estimate was not anticipated.

Sales started with a bang and with much attendant publicity, climaxed by the sale in front of sound cameras of the first baby bonds to President Roosevelt by Secretary Morgenthau and Postmaster General Farley. The Treasury still has two magazine writers, Ray Tucker and Chester Crowell, on its staff doing nothing but baby bond publicity.

Baby bond sales are expected to cut down the amount of money in postal savings deposits and postal savings experts believe this decline in deposits started in March. Thus the bonds are accomplishing their prime purpose from the Treasury's point of view.

Postal savings balances, which the banks no longer care to handle because of the decline in interest rates, have been handed back to the Treasury in such large volume that they have become embarrassing. The baby bonds are offering similar means of investment to postal savings depositors and one which will cause the Treasury less trouble for the time being.

Approximately 70,000 persons bought the bonds during the first month, investing an average of \$503.15, according to the Treasury.

Despite the fact that they exceeded estimates, the baby bonds are still a long way from being an important item in the Treasury's money borrowing program.

Each week the Treasury has borrowed twice as much on short-term bills sold to banks as the baby bonds brought in during the whole month.

Are interest rates too low?

THE present situation as regards interest rates is disheartening to the thrifty man of modest income whose savings make so big a part of the country's invested capital. He has for years put aside a part of his salary until he has \$10,000. When he started saving he had expectations of getting five, even six per cent. Now he finds that three or even 2½ per cent is the best he can hope for. His little income is cut in two. He sees no way to double his savings except by speculation, no way to double his income except by taking unsound risks.

It seems ridiculous to talk just now of a boom, but sound bankers realize that there is in this country an enormous possibility of credit inflation.

Will low interest rates tend to hasten such inflation if it starts?

Scuttling the Federal Budget

(Continued from page 16)

flood-control work, because that work is nearly all labor. But let us assume that the claim is correct; let us assume that one man is put to work in industry for every man actually employed on one of these jobs. That means that approximately 600,000 people have been put to work in an average month under the appropriation of \$3,300,000,000.

After two years of "priming the pump," after two years of trying to spend ourselves back to prosperity on borrowed money, we are now asked to appropriate \$5,000,000,000 for public works, to increase the debt of this country 20 per cent in one year, and we are told that, if we do this, prosperity will return.

We cannot go back to the well again for another huge appropriation of this kind.

We are skating on thin ice when we admit publicly that a few additional billions of dollars added to

the present public debt will create a serious financial condition for the Government of the United States. Yet we are now asked to indulge in another experiment which I say has proven unsuccessful in the past two years, and I submit that the figures themselves show that construction of projects is not going to relieve unemployment materially.

At the beginning of this depression, our federal debt was \$16,000,000,000. It will soon exceed \$34,000,000,000. The Federal Government will spend this year alone nearly five per cent of the total wealth of this country.

Let us remember also that the American people have to pay local taxes and state taxes, and that these taxes amounted last year to \$9,000,000,000. Added to the federal expenditures they placed a burden of more than \$18,000,000,000 upon the people. That is nearly 40 per cent of the nation's total gross income.

How many dates are today?



THE 5th of the month on the calendar—but to your Billing Department the 30th of last month. Stop this end of the month rush, and the mistakes it brings. Don't delay getting in your money, because your invoices are late into the mails!

GET YOUR BILLING OUT ON TIME EVERY MONTH

with the Egray Speed-Feed. Steps up the output of typed forms 50% and more. Converts every typewriter, in one minute, into a billing machine using Egray Continuous Forms. Eliminates handling of loose forms and carbons, also the use of costly pre-inserted (one-time) carbons. Keeps all forms in perfect alignment. Easily removed, does not interfere with use of typewriter as correspondence machine.

Get all the facts. Learn how you can save time, labor and money with the Speed-Feed, and get your billing into the mails on time. Ask for demonstration in your own office. No obligation.

Requires no change in typewriter construction or operation.

EGRY

SPEED-FEED

THE EGRY REGISTER CO., Dayton, Ohio
Please send complete information on the Egray Register System designed for my business.

Name _____ NB-5

Address _____

City _____ State _____

Limited territory available for high type sales agents. Details on request.

WESTERN TRAVEL NEWS

Cool Clean Quiet

To completely air-condition our five finest trains to California, we are spending more than \$2,000,000. The job will be finished early this summer. In every car on the Sunset Limited (New Orleans-Los Angeles), Golden State Limited (Chicago-Los Angeles), Overland Limited and Pacific Limited (Chicago-San Francisco) and Cascade (Portland-San Francisco), you'll enjoy the cool, clean, quiet luxury of fresh, conditioned air. There will be no extra charge for this convenience.

Low summer roundtrip fares to California are in effect from May 15 to October 15. Plan to see the California Pacific International Exposition (San Diego, May 29 to November 11). We will have direct, through air-conditioned Pullman service on the Sunset Limited and Golden State Limited via Carriso Gorge and Agua Caliente. A new booklet describing the Exposition will be sent upon request.



The Salad Bowl

HELP YOURSELF

If imitation is the sincerest flattery, many restaurants have flattered us by adopting the Salad Bowl and Casserole, two specialties originated by our dining car service. They are placed before you and you *help yourself* to as much as you want. These specialties are featured in our popular "Meals Select"—complete luncheons and dinners for as little as 80c.

We are proud of our dining car service and of our reputation for western hospitality. Next time you come West, we invite you to see the West on Southern Pacific.

For information about a trip to California or Mexico, write O. P. Bartlett, Dept. G-5, 310 So. Michigan Blvd., Chicago.

Southern Pacific

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May • 1935

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PAGE FENCE

again pioneers!



now offers fence of STAINLESS STEEL

● PAGE was America's first wire fence. PAGE was the first to offer chain link fence of rust-resisting ARMCO Iron. PAGE was the first to provide chain link fence of ALCOA ALUMINUM.

And now PAGE makes available, for the first time, chain link fabric of corrosion-defying STAINLESS STEEL.

Investigate this new fence metal. Write any office listed below for name of nearest of 82 Page Fence Service Plants.

PAGE FENCE ASSOCIATION

Bridgeport, Connecticut

NEW YORK PITTSBURGH ATLANTA

CHICAGO SAN FRANCISCO

America's first wire fence—since 1883

How Extensive is Communist Activity in America?

READ THE ANSWER IN:

"Combating Subversive Activities in the United States"

[Report, Nov., 1934, for Annual Meeting Action]

"Behind the San Francisco Strike" by Frank G. Taylor

[Reprint from Nation's Business March, 1935]

Single copies FREE on request

Secretary,

Chamber of Commerce of the U. S.
WASHINGTON, D. C.

FIRST SIX MONTHS OF SILENT REVOLUTION WERE HARDEST

Review of the first half year of the Silent L C Smith all over America. This country apparently was waiting for a silent typewriter that was also a standard typewriter. Silent L C Smith has met the demand. As these reports show:

Its Own "Silent" Salesman

San Francisco, California—Salesman leaves Silent L C Smith on trial with other makes. Is told: "I am warning you. You will have all kinds of competition. The name of the typewriter we select will go on the requisition and it will eventually mean the sale of a number of machines of the kind we choose." A few weeks later: "Here's the requisition. As you see, your name—Silent L C Smith—is typed on it by your own typewriter."

Starts Silent . . . Stays Silent

Dallas, Texas—Letter from a customer: "Sometime ago we purchased one of your new Silent L C Smith typewriters and it is a great pleasure to tell you that this machine has been doing perfect work. It is as silent as the day it was first installed. We expect to equip our entire office with these silent machines."

Standard Through and Through

St. Louis, Missouri—Customer says: "Our efficiency expert took your machine apart. Said it was the most practical silent typewriter of all. Fewest moving parts. Simplest mechanism. We ordered seventeen. They are being used by our field executives."

L C Smith in Washington

Washington, D. C.—L C Smith salesman writes the home office: "Our Silent L C Smith has made a fine impression upon the secretaries of Congressmen in Washington."

Silent but Swift

New York, N. Y.—An executive in a publishing house tells us: "My secretary's writing always seemed retarded by our old machine but since we acquired a Silent L C Smith, its eager action seems to pull her along with it."

In Conclusion . . .

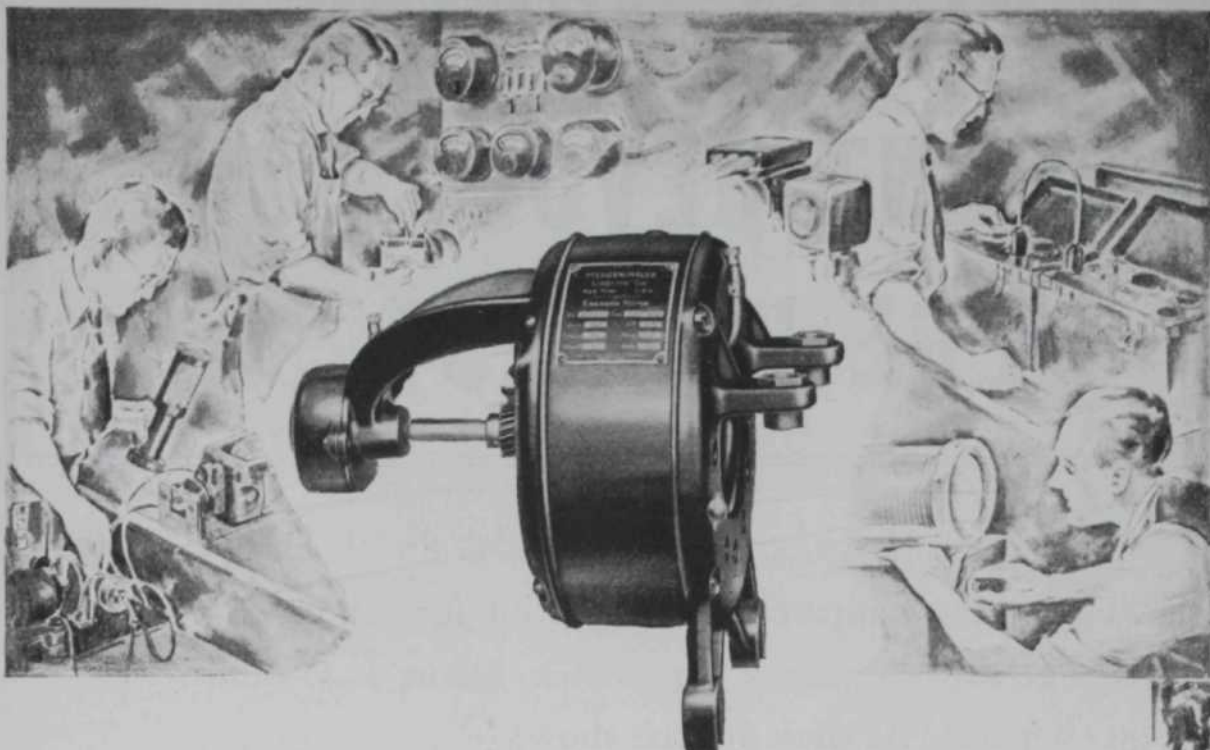
Above are the unassailable results. No buyer need hesitate now if he wants to invest in a silent machine that is also a sturdy standard machine. If quiet is to him a business asset, he is in effect investing in obsolescence when he purchases a potentially noisy typewriter.

L. C. SMITH & CORONA TYPEWRITERS INC.
SYRACUSE NEW YORK

A "SILENT REVOLUTION" IN TYPEWRITING



THE *Silent*
L C SMITH



INDIVIDUAL ENGINEERING SERVICE



SO THAT THE WORLD MAY READ

In great world centers—even in out-of-the-way places—thousands of trained operators sit at the keyboards of Mergenthaler Linotypes—setting the world's news—performing the most intricate kinds of composition by casting lines of type from molds. The life, dash, romance and tragedy in today's headlines—all pass under the skilled fingers of these men. Beating deadlines with machines that function perfectly—machines that are powered by Emerson motors, individually engineered. We are proud to have a part—insignificant perhaps, yet highly important—in such a stupendous task.

There are scores of standard uses for high quality, standard motors. Emerson supplies them every day—has for 45 years.

But with the rapid development of new motor-driven devices and appliances there is a never-ending demand for individual engineering service—for specially designed motors to fit specific needs. These needs frequently call for a mere hair's breadth difference—a difference, however, that makes a champion instead of a runner-up.

It is in this field of individual engineering service that Emerson has won its leadership in the motor industry. Because with ceaseless research, specially designed scientific equipment, and veteran, advanced-thinking engineers, Emerson has become capable of supplying that necessary difference between standard and individually designed motors.

Find out how Emerson's individual engineering service can solve your motor problems. Write for Bulletin 4-N—TODAY.

EMERSON MOTORS

3 HP and smaller—Single-phase—Polyphase—Direct Current

THE EMERSON ELECTRIC MFG. CO.
NEW YORK ST. LOUIS CHICAGO

PROOF THAT boot straps

STILL LIFT



● Surely no one has missed the point that the automobile industry has provided its own stimulation by making tomorrow's cars today.



It has lifted itself by its own bootstraps!

Two of the bootstraps seized by automobile engineers have to do with two fundamental facts about Aluminum.

Bootstrap 1 is the High Heat Conductivity of aluminum cylinder heads. The serious heating problems created by higher compressions and higher speeds are met with one of the natural characteristics of this metal. Aluminum Cylinder Heads distribute the heat many times faster. The added power and better fuel economy make you and your neighbor want to buy new cars.

Bootstrap 2 is the Lightness of aluminum pistons. The speeds demanded today make the pistons in the average car travel

up and down 3100 or more times a minute. Less weight in each piston means, among other important things, that bearings last longer. There is also obtained a far more brilliant performance. Aluminum Pistons are standard in all but a very few cars.

Two fundamentals of Aluminum have thus been engineered into today's automobiles to make the cars perform better and therefore sell better.



Invariably, when it is clearly seen what these fundamentals of Aluminum can do, engineers and production men find a practical way to use those qualities.

Such men find in our organization an accumulation of know-how that gets right down to cases, because it is derived from fifty years of getting Aluminum ready to do these fundamental things economically. ALUMINUM COMPANY OF AMERICA, PITTSBURGH, PENNSYLVANIA.



forward via fundamentals

CHANCE — *The burglar's silent partner*

To depend on locks and bolts and iron bars to keep the burglar out . . . is to gamble with CHANCE. For the clever burglar has the tools and the skill to penetrate any physical obstruction—if only CHANCE gives him *time* enough to do his work undetected.

And all too often, CHANCE throws his dice in the *burglar's* favor . . .

You can't take away the burglar's tools or weapons. But you *can* eliminate his silent partner CHANCE, by depriving the burglar of the one thing without which all his skill and tools are of no avail — *the time to use them.*

A.D.T. Protection Defeats CHANCE

A.D.T. Central Station Burglar Alarm Service automatically transmits a *silent* alarm to the Central Station *the instant the burglar starts to work.* The police are notified . . . an A.D.T. emergency patrol is dispatched . . . the alarm brings an *instant* response by armed and organized forces. During the past year, A.D.T. burglary protection systems were responsible for the capture of 292 burglars. The total value of properties protected (not including banks) exceeded \$400,000,000. The effectiveness of A.D.T. protection is further reflected in the substantial premium reductions granted by insurance companies. Write for descriptive literature.

A Free Survey of Your Premises

A.D.T. will be glad to make a confidential survey of your present hazards and protection. This service will cost you nothing, will not obligate you in any way, and may lead to substantial economies. Write A.D.T., 155 Sixth Avenue, New York City, and we will arrange for a survey at your convenience.

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